

## Nicaraguans Vote As Controversial Campaign Closes

By Robert J. McCartney  
Washington Post Service

MANAGUA — Nicaraguans were to vote in nationwide elections Sunday after a three-month campaign that was neither the "genuinely free" contest promised by the ruling Sandinistas nor the "Soviet-style sham" suggested by the Reagan administration, in the view of diplomats and other political observers.

The Sandinists' near-monopoly of most major institutions, ranging from the army and government ministries to neighborhood block organizations, gave them an unrivaled network of activists in place at the start of the campaign to elect a president, vice president and 90-member assembly.

Government trucks have carried supporters to Sandinist rallies, and large groups of pro-Sandinist youths have disrupted at least half a dozen opposition rallies.

Press censorship, although still in force, has been loosened during the campaign.

U.S. diplomats acknowledged that the Sandinists have allowed expression of a range of political views, including some that were harshly critical of the government.

Parties to the right of the Sandinists have said that the government is ruining the economy to finance the fight against U.S.-backed anti-government guerrillas, while Marxist-Leninist groups have accused the Sandinists of being bourgeois.

The principal problem with the election, according to these U.S. officials, is that Nicaraguans cannot vote for the four parties most opposed to the government because those parties are boycotting the race.

The officials' comments suggested that they disagreed with the White House's contention that the campaign was no better than elections in the Soviet Union.

"I think I have to say that a range of political opinion was expressed, with La Prensa uncensored on political matters and the minor parties making use of their television time," a U.S. diplomat said before the election. "That is distinct from saying that the Nicaraguan people on Sunday have a real choice. You can hear these views but you can't vote for them."

The Sandinists' pervasive presence in the society was evident in arrangements for the voting. Election authorities acknowledged that most officials in charge of the 3,892 voting sites were members or sympathizers of the Sandinist Front, and the ballots were to be guarded Sunday night by "electoral police" who are members of the regular Sandinist police remanned for the task.

U.S. and other diplomats said they did not expect significant vote fraud. The Sandinists were expected to win easily without cheating. Many diplomats and other observers predicted that the real measure of the election's success for the Sandinists would be the size of the turnout and the number of unmarked or spoiled ballots.

[The early turnout of voters in Managua appeared heavy, with people arriving in large groups at the polls shortly after they opened, United Press International reported Sunday. Results were not expected until Monday.]

The coordinator of the Sandinist junta and the party's presidential candidate, Daniel Ortega Saverio, said the vote would be "a great success if at least 1.2 million persons voted out of 1.55 million registered."

An opposition candidate, Virgilio Godoy Reyes of the Independent Liberal Party, predicted that about 20 percent of ballots would be "invalid" because they were unmarked or marked incorrectly.

Observers Present

More than 400 invited observers from 40 countries including the United States and from Europe, Africa and Latin America and from public organizations such as the European Parliament, were expected to lend an element of credibility to an electoral process, The New York Times reported from Managua.

No specific duties were given to the observers. According to an official of the election council, they were free to visit any polling station at any time Sunday to view the voting process. "It's clear that the Nicaraguan government is willing to take the risk of criticism," said Charles Whelan, a former Republican congressman from Ohio.



Rajiv Gandhi sets fire to the body of his mother, Indira Gandhi, at the cremation ceremony.

## Voters Appear Ready to Give Reagan A Landslide, Working House Majority

By David S. Broder  
Washington Post Service

WASHINGTON — American voters appear ready to give President Ronald Reagan a historic reelection victory of landslide proportions Tuesday and possibly restore his working majority in the House of Representatives to go along with continued but diminished Republican control of the Senate.

As the president and his Democratic challenger, Walter F. Mondale, campaigned through the Midwest over the weekend, the final Washington Post survey of political observers in the 50 states and a Post-ABC News poll of almost 9,000 voters showed Mr. Reagan leading Mr. Mondale by 57 percent to 39 percent. These surveys gave him good prospects for carrying more than 45 states.

The poll pointed to a potential Republican loss of two or three seats from the party's 55-45 majority in the Senate. But it suggested that Republican candidates were ready to ride Mr. Reagan's coattails in enough House districts to restore the conservative coalition of Republicans and Southern Democrats that passed the 1981 tax, budget and defense measures that were the highlights of President Reagan's first year in office.

In the year's most expensive and heated Senate battle, Senator Jesse Helms, a North Carolina Republican, appears to have taken a small but clear lead over Governor James B. Hunt Jr., a Democrat. Representative Albert Gore Jr., Democrat of Tennessee, is expected to gain the seat of the retiring Senate majority leader, Howard H. Baker Jr., a Republican. Representative Tom Harkin, an Iowa Democrat, leads Senator Roger W. Jepsen, a Republican, while another Democrat, Representative Paul Simon of Illinois, appears to have at least an even chance of defeating the Senate Foreign Relations Committee chairman, Charles H. Percy, a Republican.

Upset opportunities for Republicans in Kentucky and West Virginia, and, less plausibly, Massachusetts, could reduce the net Senate loss for the party. In the gubernatorial elections, Republicans are favored to pick up North Carolina, Rhode Island, Utah and West Virginia, while Democrats have a chance in close battles in North Dakota, Vermont and Washington.

The House battles are hardest to read, but they are vital to President Reagan's second-term legislative prospects.

Unless the 99-seat Democratic majority in the House can be cut in half by regaining the 26 seats Republicans lost in 1982, Mr. Reagan could find his mandate blunted.

With only 13 open seats to defend, Democrats have built their success to halt the Republican ad campaign on the ground that it violated campaign contribution ceilings for individual candidates, conceded Saturday that the ads were hurting.

As planned, the coordinated offensive by the major Republican campaign committees came just as Mr. Reagan was going into high gear in his final re-election effort and making his presence felt in the places where he appeared.

Joseph Gaylord, executive director of the National Republican Congressional Committee, said: "The timing is right on this." He added: "Reagan is making himself synonymous with the Republican Party."

A campaign consultant for a Democratic senatorial candidate in a state where President Reagan campaigned early last week said, "If Reagan can convert voters as he did there and get them thinking about supporting his people, it's going to be a rough election night." The tactic is a repetition of the one Republicans used in 1980 to swing 13 Senate seats to their side in a closing blitz. With most of the 14 Senate Democrats on the ballot this year appearing invulnerable, the Republicans aimed its blitz at Democratic House members. Many of them were protected in redistricting by Democratic-controlled legislatures but, where they were not, the Republicans have gone after them.

Mr. Mondale and Geraldine A. Ferraro, his vice presidential candidate, drew big and enthusiastic (Continued on Page 4, Col. 1)

## Gandhi Orders Military To Put Down Rioting

The Associated Press

NEW DELHI — India's new prime minister, Rajiv Gandhi, ordered the army Sunday to crush any resurgence of the violence, largely directed against Sikhs, that followed the assassination of his mother.

The violence, which began after authorities said that Sikh members of her security force were responsible for the killing, subsided everywhere, five days after Prime Minister Indira Gandhi was assassinated. Mrs. Gandhi was cremated Saturday.

Mr. Gandhi ordered quick action to aid more than 16,000 Sikhs who fled from the rioting. He also dismissed P.G. Gavai, Delhi's government-appointed lieutenant governor, the city's chief administrative officer. Mr. Gavai had been blamed for what had been seen as police laxity in suppressing the attacks.

Up to 1,000 people, most of them Sikhs, reportedly have been killed since Wednesday, about half of them in and around New Delhi.

Mr. Gavai was replaced by Mohan M.K. Wali, the permanent secretary in the Ministry of Home Affairs.

Mr. Wali said at a news conference that 458 persons were officially listed as killed in New Delhi and its suburbs, including 59 Hindus who died in Sikh retaliations for the violence. He said that 1,809 persons were under arrest for murder, arson or breach of curfew.

He also said that 16,350 Sikhs had been housed in temporary refugee camps in the city after fleeing their homes.

Accounts of mass killings in the outer suburbs of New Delhi and other cities were still coming in, but no new deaths were reported Sunday. Independent reports from New Delhi and state capitals said that well over 1,000 people had died, most of them Sikhs.

About 40,000 soldiers were brought into New Delhi to protect dignitaries at the cremation, and were quickly deployed to stop the rioting. Troops and police patrolled the worst-affected districts in trucks and armored personnel carriers.

The interior minister, P.V. Narasimha Rao, repeated orders to police to shoot on sight to stop rioting. He said: "If they don't take prompt action they will be severely punished."

The police were mostly Hindus. Mr. Wali confirmed reports that three of them were under arrest for failing to come to the aid of Sikhs threatened by the mobs. He said the police were often outnumbered and unable to charge the rioters.

Schools are to remain closed at least through Tuesday for security reasons. But the curfew was relaxed in most places during daylight hours.

In New Delhi, many shops reopened and motorized rickshaws, taxis and buses returned to the streets. But taxis were still rare and drivers charged up to 10 times the normal fares.

Many taxi owners are Sikhs, and the streets were still littered with the burned-out wreckage of their vehicles.

Long-distance train services were resumed to and from New Delhi. Squads of armed police rode on each train to protect passengers.

Most of the capital's rail services (Continued on Page 2, Col. 7)

## Son Ignites Funeral Pyre Of Gandhi in Hindu Rite

By William Claiborne  
Washington Post Service

NEW DELHI — Prime Minister Indira Gandhi was cremated in the flames of a Hindu funeral pyre Saturday as a grieving India reeled from four days of sectarian violence that was among the worst since independence was won 37 years ago.

As hundreds of thousands of followers strained for a glimpse of the cremation and millions more watched on television, Mrs. Gandhi's son and her successor to the leadership of the country, Rajiv, walked around the funeral pyre seven times carrying a flaming torch and turned the sandalwood bier into a sheet of fire.

A three-volley rifle salute reverberated across the Yamuna River basin near the place where Mohandas K. Gandhi, who led India to freedom from British rule, and the slain prime minister's father, Jawaharlal Nehru, India's first prime minister, also were cremated.

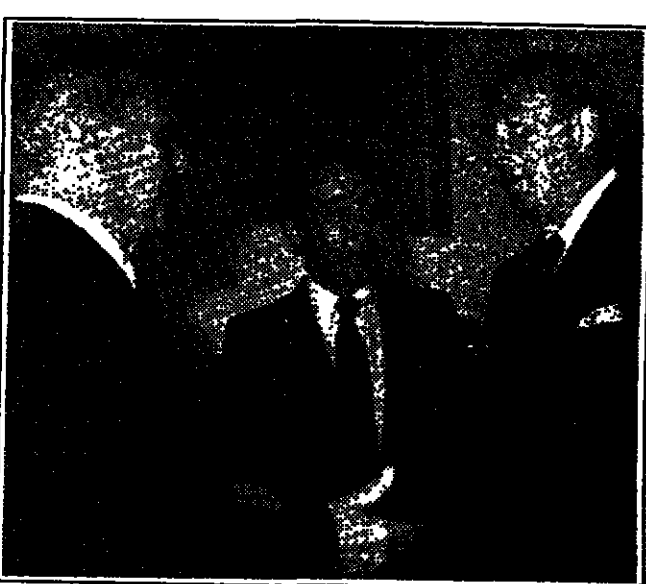
As Brahmin pundits, those learned in Sanskrit and Hindu philosophy, chanted Vedic hymns and family members climbed the 10-foot-high platform to heap wooden logs atop the slowly smoking pyre, a moan of grief arose from thousands of mourners, followed abruptly by a tranquil stillness as the flames leapt higher.

"From elements you come, to elements you return," Hindu priests chanted in Sanskrit while official mourners circled the pyre and fed the flames with sandalwood dust and cups of ghee, a purified flammable butter.

The tranquility of the cremation was only partly offset by the presence of thousands of infantry soldiers and armed paramilitary security forces around the pyre and the approaches to it, underscoring the fear of Hindu-Sikh violence that kept many mourners from attending the funeral.

The government claims to have brought under control the mob rampages against Sikhs over the assassination of Mrs. Gandhi last Wednesday by two men in her security guard identified as Sikhs. Arsonists, however, turned a predominantly Sikh neighborhood of truck drivers in south Delhi into an

(Continued on Page 2, Col. 3)



A DIALOGUE IN NEW DELHI — Nikolai A. Tikhonov, left, the Soviet prime minister, makes a point with Secretary of State George P. Shultz in New Delhi. Page 2.

## Police Role Questioned In Anti-Sikh Violence

By Barbara Crossette  
New York Times Service

TRILOKPURI, India — Saturday morning there were only 95 bodies. A nearby resident said he had seen two truckloads of dead men being moved out during the night. An unknown number of men apparently survived by fleeing to safe houses.

Women and children, many of whom had been sheltered in the homes of Moslem and Hindu neighbors before being taken away by police, were beginning to return to salvage what they could from their ransacked houses.

One elderly woman ran sobbing and wailing from house to house. Pulling a visitor into the remains of a one-room home, she fell on the bloodstained floor and kissed the sandal of her dead son, then held to her heart a fragment of cloth she drew from the blood and ashes where he had died.

Early Saturday morning a few grotesquely positioned bodies still lay among the little houses along narrow lanes. One slain man was jammed into a narrow sewerage ditch, another frozen in death as he lunged from his bed.

The mass slaying at Trilokpuri raises questions among Indians about two disturbing factors in the violence that has followed the assassination of Prime Minister Indira Gandhi last Wednesday.

The first is the repeated failure of the police to intervene against acts of terror and killing. The second, based on mounting evidence from witnesses, is the apparent organization behind the attacking gangs, strangers who arrive in trucks and disappear when the deed is done.

The Statesman, an independent newspaper, on Saturday described police conduct over the last few days as a "major failure." The Indian Express said Friday that "the machinery of law and order had totally collapsed" in the capital.

Account after account by victims and witnesses of the violence speak of the absence, reluctance or indifference of local law enforcement authorities. The police are empowered to shoot on sight during the hours of a total curfew.

Saturday in Trilokpuri, neighbors of the slain Sikhs said two police constables on motorcycles had visited the area Thursday — the day after Mrs. Gandhi was killed by gunmen identified by police as Sikh members of her bodyguard — to warn that there had been rumors of planned attacks, but that officers would be too tied up in funeral duties to protect them.

That night, witnesses said, the (Continued on Page 2, Col. 5)



A worker puts up a poster at a polling booth in Managua.

## Polish Priest's Murder Causes Unusual Alliance

By Michael T. Kaufman  
New York Times Service

WARSAW — The murder of the Reverend Jerzy Popieluszko has linked the Roman Catholic Church, the Solidarity movement and the government of General Wojciech Jaruzelski in a frail tactical alliance.

What is understood instinctively by large segments of society is that all three were targets of the plot in which three state security officers, presumed to be operating with the support of hard-liners within the security apparatus, kidnapped and killed the priest.

That the crime was intended to punish the church seems clear. The 37-year-old priest, whose body was found in a reservoir 11 days after his abduction, was sometimes thought of as an embarrassment by some of his conservative superiors because of his flamboyant support of the outlawed trade union movement. But he was known to be a

favorite of Pope John Paul II, who last summer sent him a special rosary.

A few people have even speculated that his murder may have been related to the indictment issued in Rome last month charging Bulgarians with plotting the pope's assassination.

### NEWS ANALYSIS

nation. Many Poles believe that the beatification of the young priest and his designation as a martyr are virtually assured.

That the crime was also aimed at Solidarity seems equally clear. Father Popieluszko was considered the patron of the movement. For nearly three years he had celebrated monthly masses for Solidarity activists imprisoned by the government after the proclamation of martial law in December 1981.

The murder of a priest for political reasons, a shocking desecration of this heavily Roman Catholic

country, was presumably intended to intimidate and demoralize Solidarity's rank-and-file sympathizers.

But perhaps the most striking thing about the reaction to the crime has been acceptance of the notion that the Jaruzelski government may have been the prime target. There is a feeling that the suspects left signs pointing to Interior Ministry involvement precisely to demonstrate the weakness of the government.

Even the staunchest Solidarity activists do not believe that direct responsibility falls upon the prime minister, who is first secretary of the Communist Party, or upon the so-called liberal wing of the party whose policies he has adopted.

Some of these people suggest that the plot simply indicates that despite General Jaruzelski's insistence that a normal situation has been restored, his government still does not control the huge security

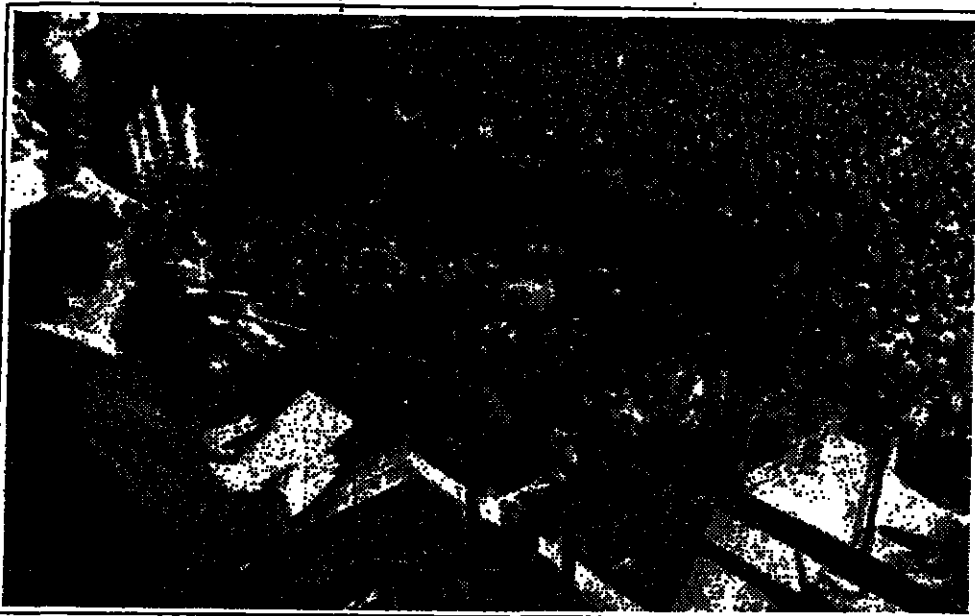
network with its cliques of hard-liners, some of whom have personal links to each other and to their counterparts in the Soviet Union.

Lech Walesa, the leader of Solidarity, has called for calm and warned against provocations. As one sign of the tactical alliance, the official radio, which has assiduously avoided mention of Mr. Walesa for months, is now playing tapes of his appeals.

To some extent, the debt and unusually open responses of the government have encouraged public exonerations of the leadership.

The government confirmed the death shortly after the body was found. It arrested the suspects and announced their names and positions, a departure from past practice. The official spokesman suggested strongly that the three men had support and protection within the security apparatus.

Last week it was announced that (Continued on Page 2, Col. 4)



Lech Walesa speaks at the rites for the Reverend Jerzy Popieluszko. Page 2.



# Ethiopians Die on Roads to Food Centers

**KOREM, Ethiopia**—Hundreds of Ethiopians are dying every day in the northern province of Wollo, many of them succumbing to starvation and disease on the road to aid centers, relief officials say.

In the past few days, both Western and Soviet bloc countries have begun an airlift of emergency supplies, but the goods have not yet reached places where starving peasants are congregating such as Korem, 400 kilometers (250 miles) north of Addis Ababa.

Reporters returning Saturday from a two-day trip to Wollo province saw thousands of starving Ethiopians on the road, walking to relief centers in search of food.

Some carried their wives, husbands or children on makeshift stretchers. Others, too weak to walk, lay by the side of the road waiting to die.

The government's Relief and Rehabilitation Commission estimates that three consecutive years of drought have afflicted 1.2 million of the province's 3.2 million peasants and destroyed their way of life.

Wollo is one of the provinces hit hardest by the drought, which threatens famine for up to seven million people across the country. Tens of thousands of the province's people are on the move toward relief centers, having given up attempts to grow crops, officials said.

They are walking toward places like Korem, where 31,000 drought victims are being cared for and 18,000 others have set up scanty shelters awaiting the day when they or their children will be weak enough to qualify for assistance.

Yehualashet Demerew, the regional representative of the Relief and Rehabilitation Commission, said 50 to 100 people at Korem died each day, many of them children too weak to survive hunger-associated illnesses and the night cold at an altitude of 10,000 feet (3,000 meters).

Among the tin-roofed shelters and plastic tents that make up the "intensive care" unit at Korem, there is a cluster of five canvas tents called the orphanage.

Scores of children lie here, their eyes protruding from their skulls and their small bodies limp skeletons. Whooping cough, measles and diarrhea, diseases easily treated in the West, kill at least 20 of them a day, relief officials said.

Korem attracts drought victims because it is at the convergence of the provinces of Wollo, Gondar and Tigre, all stricken by famine.

About 18,000 people lack proper shelter. Mr. Yehualashet said they were threatened with pneumonia and other illnesses.

Food stocks are adequate in Korem, he said, but in the long term tens of thousands of people will have to be resettled in areas more fertile than the rugged northern highlands.

## African Famine Widespread

In at least three countries of Africa, relief officials say that men, women and children are dying of hunger. The New York Times reported from Rome. In many others, malnutrition is widespread, and the threat of famine looms.

In other countries of the continent, drought has made already insufficient harvests a certainty. Furthermore, according to figures compiled by United Nations and other agencies, drought has depleted stocks in South Africa and Zimbabwe, the only two countries of the continent that normally export food to their neighbors. South Africa has been forced to import large quantities of grain.

"We are not yet at the bottom of the abyss," said Edouard Saouma, director general of the UN Food and Agriculture Organization, in an interview at his headquarters here. "The worst is yet to come."

In all, 25 of 42 African countries are listed by the Food and Agriculture Organization as "suffering abnormal food shortages or with unfavorable crop conditions."

Widespread deaths from famine have occurred in Ethiopia, Mozambique and Chad.

## U.S. Aid Director in Ethiopia

The first of two American C-130 Hercules aircraft sent to airlift emergency supplies the Ethiopian interior flew into Ethiopia on Sunday only hours after the director of U.S. government overseas aid, Mr. Peter McPherson, arrived to take personal control of the American relief effort. United Press International reported from Addis Ababa.

Besides the two U.S. planes, aircraft from Britain, the Soviet Union, Bulgaria, Libya, Czechoslovakia, South Yemen and the International Committee for the Red Cross will also be involved.

After a meeting Friday in Washington between Mr. McPherson and Dawit Wolde-Giorgis, the Ethiopian relief commissioner, the United States announced it was supplying 50,000 tons of food and two aircraft on a direct government-to-government basis with Ethiopia.

U.S. aid previously was channeled through private western relief agencies, mainly Catholic Relief Services.

Mr. McPherson termed the new direct aid experimental. He will monitor the flow of aid while in Ethiopia.



A Sikh woman grieves at the site of her husband's immolation by a Hindu mob in Trilokpuri, near New Delhi.

## Role of Police Is Questioned In Violence Against Sikhs

(Continued from Page 1)

carnage began. A policeman interviewed here Saturday said two groups of police officers arrived at Block 32 in Trilokpuri on Friday night, 24 hours after the attacks began.

"By that time everything was over," he said. "We don't know who the attackers were or where they came from. Nobody is talking to us here. They run away when we approach them."

Saturday, fearing more violence, some army troops began to patrol the town in armored personnel carriers.

The commanding officer and his deputy expressed outrage at what had happened. "We are no longer under civil authority here," the commander said. "As of now, I am in charge. We can shoot to kill and, unlike the policemen, you can believe we mean just that."

Trilokpuri, a resettlement area built to relocate squatters in New

Delhi, was home to the poorest Sikhs.

Their attackers, neighbors said, were Hindus and some Muslims from another village. One man said he did not recognize a single face.

In more affluent neighborhoods in the capital, attacks on Sikh property were often described in similar terms. Attackers appear to be young men unknown to the area and often of lower castes or untouchables.

Middle-class Sikhs, living in hiding and fear, have been joined by some opposition politicians in charging that some members of Mrs. Gandhi's Congress Party (I) are to blame, at least at the local level, for the incitement if not the hiring of killers.

The radical Hindu group Rashtriya Swayamsevak Sangh is also blamed for incitement. No one has offered proof of either charge, however.

## WORLD BRIEFS

### Soviet Denies U.K. Energy Embargo

**MOSCOW (AP)**—The Soviet External Trade Ministry has denied that the Soviet Union is withholding supplies of energy products for Britain, the press agency Tass reported. According to Tass, the ministry "has always honored and will honor signed contracts and agreements."

The denial Saturday followed a television statement Tuesday by Alexander Belousov, the official responsible for the Soviet miners' union, that the Soviet Union was ceasing supplies "in protest against repression against British miners" who have been on strike for eight months.

The ministry's denial accused the Western press of spreading insinuations that the Soviet Union would use economic and trade relations with capitalist countries "as an instrument of political pressure." It added that "all these insinuations are without foundation" and were evidence of "hostile aims against the Soviet Union."

### Beirut Delays Israeli Pullout Talks

**JERUSALEM**—Talks between Israel and Lebanon on an Israeli troop withdrawal from southern Lebanon were postponed Sunday, a day before they were scheduled to convene under United Nations sponsorship, a spokesman for Israel's Foreign Ministry said.

He said Jean-Claude Akl, the UN official who worked out the arrangements for the meeting, delivered a request from Beirut to the director-general of the ministry, David Kimche, for an unspecified delay in the start of the negotiations.

The absence from Lebanon of two Moslem ministers, Nabih Berri and Walid Jumblatt, on Saturday forced the postponement of an emergency session of the Lebanese cabinet and the naming of a six-member military team for the talks in the southern border town of Naqura.

### British Miners Hired in South Africa

**LONDON (AP)**—Hundreds of British coal miners have applied for jobs in the South African mining industry, attracted by relatively high wages and low living costs, and about 250 have been hired, the Sunday Times reported. Three-fourths of Britain's 175 mines have been closed for almost eight months by a strike.

It said two South African mining concerns would send recruiters this week to Britain's coalfields. Goldfields of South Africa Ltd., which has hired about 40 miners, will interview for 200 more vacancies, and Gecon (UK) Ltd., whose parent company owns coal, gold, platinum and uranium mines in South Africa, will be seeking 165 more miners after hiring 250, the paper said.

### Botha Sees Obstacles to Peace Efforts

**JOHANNESBURG (Reuters)**—Foreign interests are working to thwart efforts to establish peace in southern Africa, Foreign Minister R.F. Botha said Sunday in a statement released from Rome to the South African Press Association.

"There are indications that foreign interests are working against our efforts to establish peace in our region," said Mr. Botha, whose government signed a peace agreement with Mozambique in March and has been mediating for the past month in talks in Pretoria between the Maputo government and the insurgent Mozambique National Resistance, sometimes known as Renamo.

"We do not accept that the killing of thousands of Mozambicans will resolve that country's problems," Mr. Botha said. "If the armed activity and conflict within Mozambique continues, it is the enemies of Mozambique which will gain and all of us in the region will eventually pay the price, including Renamo."

### Sinn Fein Chief Praises Bomb Attack

**DUBLIN (UPI)**—Gerry Adams, head of the political wing of the Irish Republican Army, praised the IRA's attempted assassination of Prime Minister Margaret Thatcher in Brighton, England, on Oct. 12 as a "blow for democracy" in Northern Ireland.

"All casualties and fatalities in Ireland or Britain as a result of the war are sad symptoms of our British problem," Mr. Adams told about 600 Sinn Fein delegates Sunday, on the final day of a two-day conference. "And the Brighton bombing was an inevitable result of the British presence in this country. Far from being the blow against democracy, it was a blow for democracy."

### For the Record

Baby Fae was reported to be "doing very well" Sunday, 10 days after receiving a baboon heart transplant, doctors reported in Loma Linda, California. They said there were no signs of organ rejection. (UPI)

### Gandhi Orders Crackdown

(Continued from Page 1)

was canceled last week, after mobs had invaded Delhi-bound trains to seek out and kill Sikh passengers, often by hacking them to death.

The government ordered shops to reopen as a step toward normalization. Most shopkeepers obeyed, profiting from a rush of buyers deprived for three days of fresh food and other necessities.

Groups of peace demonstrators, including Hindus, Muslims and Sikhs, formed and marched through New Delhi to demand an end to the violence. For the first time since the assassination, Sikh men were seen in the streets of New Delhi.

In another development Sunday, Mr. Gandhi reappraised most of his mother's ministers to his new cabinet. Some posts remained to be filled, but the new leader appears determined to pursue Mrs. Gandhi's policies.

She was chairman of last year's New Delhi summit meeting of the 101-nation nonaligned movement. Mr. Gandhi's son automatically assumed the post until the next summit, scheduled in Baghdad in 1986.

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## Shultz, Tikhonov Hold 'Good' Meeting in India

By Barbara Cressette

New York Times Service

**NEW DELHI**—Secretary of State George P. Shultz met here during the weekend with the Soviet prime minister, Nikolai A. Tikhonov, and later said they had had "a good meeting."

The talks Saturday between the two men, who were among nearly 100 foreign dignitaries here for the funeral of Prime Minister Indira Gandhi, constituted the first high-level contact between the United States and the Soviet Union since President Ronald Reagan met the Soviet foreign minister, Andrei A. Gromyko, in Washington last month.

Earlier Mr. Shultz met with India's new prime minister, Rajiv Gandhi, who raised with Mr. Shultz the question of India's concern about American arms sales to Pakistan as well as Islamabad's nuclear program.

Mr. Shultz said after the meeting

with Mr. Tikhonov at the Soviet Embassy: "We touched on a number of topics, including the desire of the United States for a constructive relationship with the Soviet Union." He said the Soviet side "had expressed similar sentiments."

The secretary of state said that he brought up "forcefully" with Mr. Tikhonov the American displeasure at attempts by Soviet press organizations to link the United States to the assassination. "He said he had looked into it and that the Soviet Union had no such view," Mr. Shultz said. "He suggested I was wrong," he added, to interpret Soviet reports in that light.

In the Soviet press, accounts of the assassination of Mrs. Gandhi have been juxtaposed with strident dispatches in which the United States is accused of sponsoring "state terrorism" around the world.

A commentary Thursday in Pravda asserted that the Central Intelligence Agency had sponsored a series of operations to foment separatism in India. A Tass report charged that Sikh extremists had close ties to Western intelligence services and that Sikh "extremists and spies" arrested in October had admitted having been trained in

Pakistan under the supervision of the CIA.

[Tass did not mention Mr. Tikhonov's reported admission to Mr. Shultz that his government did not believe the CIA might have played an indirect role in the assassination of Mrs. Gandhi, according to Agence France-Presse.

(President Reagan, campaigning

Saturday in Winterset, Iowa, called Soviet suggestions of CIA involvement in the assassination of Mrs. Gandhi "the world's biggest cheap shot," United Press International reported.]

Mr. Shultz said he expressed to Mr. Gandhi the "sympathy, respect and support of the United States for the independence and integrity of India."

## Son Ignites the Funeral Pyre of Gandhi in Hindu Ceremony

(Continued from Page 1)

inferno of blazing trucks Saturday morning.

There were widespread reports of other clashes as the unofficial death toll in New Delhi rose to more than 400. More than 700 people are believed to have been killed throughout the country, although the government has not issued any official figures for fear of inflaming communal passions. United Nations of India, a news agency, calculated the death toll in four days of violence at 900; The Associated Press put it at more than 1,000.

Indian news agencies reported Saturday night that about 100 towns remained under curfew, 38 of them in Madhya Pradesh, which has experienced the worst violence. Troops have been deployed in 28 towns or cities.

Seven infantry brigades of the army, consisting of 21,000 soldiers and an equal number of backup personnel, were deployed Saturday in New Delhi to maintain order. There was no evidence of violence during the funeral and during the three-and-a-half-hour procession in which Mrs. Gandhi's body was borne six miles (10 kilometers) atop a gun carriage from her former family home to the cremation site.

Several hundred thousand mourners watched the cortege move along the banks of the Yamuna, but the crowds were much smaller than the one million to two million expected. Crowd estimates ranged from 300,000 to nearly one million.

Some of the reasons given for the

low number were the continuing daylight curfews in some outlying areas; the fear by many New Delhi residents of renewed mob violence; and a public transportation system paralyzed by the absence of the Sikhs who, for the most part, control it.

Leaders representing 100 nations, including 14 presidents, attended the funeral. Britain and the Soviet Union were represented by their prime ministers, Margaret Thatcher and Nikolai A. Tikhonov, and the United States by Secretary of State George P. Shultz and four former U.S. ambassadors to India.

## 1,500 Students in Seoul Clash With Riot Police

United Press International

**SEOUL**—About 1,500 college students clashed with riot police at a university in Seoul during a demonstration to mark the revival of Students Day and push demands for full campus autonomy. There were no immediate reports of arrests or injuries in the disturbance, during which students threw rocks at the police, who used tear gas in return.

The incident occurred after 3,000 students held a rally Saturday at Yonsei University in a western district of the city, and about half of them tried to march off campus for a street demonstration. The students, who organizers said included representatives of 17 universities across the country, demanded that campus democracy be guaranteed.

## 250,000 in Poland Mourn Priest as 'National Hero'

By Bradley Graham

Washington Post Service

**WARSAW**—More than a quarter of a million Poles attended an open-air requiem Mass on Saturday for the Reverend Jerzy Popieluszko as Roman Catholic officials and opposition figures praised the murdered cleric as a "national hero" for his dedication to Poland's Solidarity movement.

Thunderous applause broke out as Lech Walesa, the Solidarity leader, proclaimed over the priest's pine coffin: "Solidarity lives because you sacrificed your life for it."

Poland's primate, Cardinal Jozef Glemp, presided at the funeral and appealed again for national reconciliation.

Let Poles of different social circles meet, not crying over the coffin of a priest, but around a table for dialogue to release initiatives and peace," he said.

A pro-Solidarity demonstration formed after the service as a column of people flowed peacefully to the city center from the white stone church in Warsaw's northern district of Zoliborz, where Father Popieluszko had ministered.

More than 10,000 people streamed past the capital's militia headquarters at Mostowski Palace, chanting, "We forgive." "Come with us" and "Greetings from the underground."

With several secret police officers facing charges in connection with Father Popieluszko's death and social tensions running high, the authorities appeared determined to avoid a confrontation.

Father Popieluszko's abduction and killing two weeks ago in north-

west Poland, as he was returning from a Mass in that region, has precipitated a shake-up in the state security service and thrown the government of General Wojciech Jaruzelski into an internal crisis.

The government said Friday night that two colonels in the Internal Affairs Ministry had been arrested in connection with the case and a brigadier general at the ministry suspended.

Three lower-ranking secret police officers have already been accused of carrying out the kidnapping and are expected also to be charged in connection with the killing.

Cardinal Glemp conducted the service from a balcony of the church. Below in a forecourt stood the coffin, resting on a high, white bier. A wide swath of silk in red and white, Poland's national colors, ran from the coffin up the length of the church facade.

Loudspeakers broadcast the Mass to a throng that filled the square outside the churchyard's flower-covered fences and packed side streets for a radius of about half a mile.

Friends from various walks of life paid homage to the soft-spoken priest in brief speeches. The vice rector of a seminary called Father Popieluszko "a national hero," a line echoed by others.

Representing the government was Deputy Prime Minister Zenon Komender, a member of the pro-government Catholic lay party Pax, who did not speak.

Mr. Walesa best captured the day's mood in his remarks conveying solemnity and a firm determination to carry on the peaceful struggle for civil rights in Poland.

"Over the coffin of our brother we swear that we will never forget this death," Mr. Walesa said. The crowd interrupted him, shouting back: "We swear! We swear!" He added: "We say farewell to you, God's servant, swearing that we will never give in to violence."

## 2,000 Minks Freed in U.K.

The Associated Press

**ELLAND, England**—Animal rights campaigners freed as many as 2,000 minks Sunday from a fur farm near this village in northern England, police reported.

Father Popieluszko was tortured and beaten to death, members of his family said Sunday.

Agence France-Presse reported from Warsaw that family members, who identified the priest's body after it was discovered Tuesday in a reservoir of the Vistula River, had said the body was covered with cuts and bruises.

Doctors were unable to proceed with an identification based on dental records, the family said, because the priest's jaw had been shattered and his teeth smashed. Bones in his hands were broken, and his scalp had been torn, the family said.

They said his killers had tied a bag filled with stones around the priest's neck before dumping the body in the Vistula. Results from the autopsy have not been released.

To bring the very latest American election results to our readers, the International Herald Tribune will print a special election issue early the morning of November 7. This special edition will be printed several hours after our regular editions in order to include up-to-the-minute results and projections from the presidential, congressional and other U.S. contests.

The election edition will be on sale at newsstands in Paris and London the morning of November 7 and in the afternoon in the following cities: Amsterdam, Athens, Barcelona, Brussels, Cannes, Cologne, Copenhagen, Frankfurt, Geneva, The Hague, Madrid, Milan, Monaco, Nice, Rome, Rotterdam, Schiphol (Airport) and Zurich.

Full results of the Senate, House and gubernatorial elections plus the state-by-state breakdown of the presidential vote will appear in the issue of Thursday, November 8.

He said that if the plot turned out to be limited or circumscribed, he expected full disclosure, but if it was very extensive, involving people at the upper echelons or touching on foreign elements, there would almost have to be a cover-up.

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## AMERICAN TOPICS

## In California, Water Is Still for Fighting

With 14 months to go before Southern California loses nearly a fifth of its water supply, the state is without any plan to replace it. Under a 1964 U.S. Supreme Court decision, about half the water the region draws from the Colorado River will be diverted to the Arizona cities of Phoenix and Tucson.

In California, where water can help transform a useless desert into a tract of expensive houses or an avocado orchard, water politics can be emotional and contentious. What Mark Twain said a century ago still goes: Out West, "Water is for fighting. Whiskey is for drinking."

Just about everyone in the state agrees that the water that flows off the High Sierra range in northern California and empties into the Pacific Ocean near San Francisco could more than solve Southern California's problems. But proposals to channel this water all have died in disputes between growers and city people, between environmentalists and growers, and between northern and southern Californians.

"I think we have about 10 years available to us to find alternatives," says Donald Brooks of the Metropolitan Water District of Southern California. But Lawrence R. Michaels, of the San Diego County Water Authority, disagrees. Unlike Los Angeles, which long ago tapped the water of the Owens Valley, San Diego does not have an independent source of water. "Our problem," Mr. Michaels said, "is here right now."

## Vietnam Memorial Gets an Addition

A military statue comprised of three seven-foot-high bronze figures in combat gear has been added to the site in Washington of the Vietnam Veterans Memorial. The memorial thus far has consisted of a simple, polished, V-shaped black granite wall engraved with the names of 57,939 Americans killed in that war. The statue, which will be unveiled Nov. 9 and dedicated Nov. 11, Veterans Day, was added after the original design drew complaints that it was unheroic.

The statue stands, with the U.S. flag, at a sort of entryway to the memorial about 100 feet (30 meters) away. The soldiers are stepping out of a grove of trees and looking in the direction of the wall and its sea of names.

When it was decided in 1982 to add a military sculpture to the memorial, various people argued that it should be placed at the vertex of the wall. Others disagreed, including Frederick Hart, the Washington sculptor who was commissioned to execute the statue.

Mr. Hart said that his main problem was the stylistic inconsistency between the realistic figures that emerged from his drawing board and the more allegorical black wall designed by Maya Ying Lin.

"My solution was to put the figures completely away from the wall, to preserve the autonomy and integrity of that simple, clean design," he said. "But that created a problem, too. You didn't want to create two memorials as such. You wanted something that was integrated, that had unity with the wall. My solution was to have the figures looking at the wall."

## Citizens' Candidate Comes From Behind

"To understand my presidential campaign," says Sonia Johnson, "you only have to un-



Sonia Johnson

dstand one principle: To be born female in our society is to be born behind enemy lines."

Mrs. Johnson, a polite, friendly, fiftyish educator from Arlington, Virginia, who was excommunicated from the Mormon Church in 1979 for her support of the Equal Rights Amendment, is the presidential nominee of the Citizens Party.

The party fielded Barry Commoner, the ecologist, for president in 1980.

"All the ways that have been called 'womanly,' and therefore weak and dumb," she said, "are the nonviolent, cooperative ways we need now to prevent atomic destruction."

Mrs. Johnson predicts that she will get fewer than the 234,000 votes Mr. Commoner received last time. Mr. Commoner has endorsed Walter F. Mondale, the Democrat in this election.

## Life in the Fast Lane Is Over for Dolores

For the past four years, Corlis D. Jones had zipped in and out of Washington with just enough bodies in her car to meet the city's fast-lane regulations. These require at least three occupants before a driver can use restricted commuter express lanes during rush hour.

But late last month, Virginia state troopers broke up the carpool when they discovered that the third person stuffed into the back seat of Ms. Jones's Pontiac was just that — stuffed. The dummy, dubbed Dolores, had been riding to work in the back seat for nearly six years, Ms. Jones, 28, said.

Police said that adding inanimate "passengers" to meet the carpool regulations is not new. Ms. Jones got a \$35 ticket. She said Dolores's riding days are over.

## U.S. Orders Airlines To Fireproof Seats

The U.S. Transportation Department has ordered airlines to equip all jet airliners with fire-retardant seat covers within three years. The regulation applies to domestic carriers and also to foreign airlines flying in U.S. airspace. The cost is estimated at \$10 to \$17 per seat.

## Notes About People

A federal appeals court, in a sharply divided 5-4 ruling, has upheld a dishonorable discharge for Leslie Anne Cole, now 29, a Navy woman who refused to wear her uniform or perform her duties after seeing the film "Gandhi."

The heirs of Marlon Brando Scott have agreed to abide by her will and turn Montpelier, her Virginia estate which was once the home of James and Dolley Madison, into a museum honoring the fourth president of the United States. Mrs. Scott, a du Pont heiress, was married briefly to Randolph Scott, the actor. She died a year ago at 89.

— Compiled by ARTHUR HIGBEE

## Reagan, Mondale Press Appeals in States Considered Close

By Howell Raines

New York Times Service

NEW YORK — President Ronald Reagan and Walter F. Mondale hopped through some of the more closely contested states Saturday and Sunday as Mr. Mondale struggled to cut into the strong overall lead that Mr. Reagan appeared to hold.

As the president's advisers boasted that he was ahead in 48 states, Mr. Reagan warned in Iowa that if voters replaced him with Mr. Mondale the nation would be left to wander in "an endless desert of worsening inflation and recession."

As he campaigned toward appearances Monday in his home state of California, Mr. Reagan at every stop implored his supporters not to become so confident of his victory that they fail to vote.

On Saturday, in Little Rock, Arkansas, Mr. Reagan declared that tax increases would come only "over my dead body."

[The Washington Post had reported Friday that Treasury Secretary Donald T. Regan favored

eliminating federal income tax deductions for state and local taxes as well as taxing some unemployment-insurance payments and workmen's compensation payments.

[Asked Saturday about this report, the president said Mr. Regan has already rejected those proposals.] Mr. Reagan said he would not allow tax increases "under the guise of tax reform." The Washington Post reported in Winter, Iowa.

[The president also commented on the CIA manual that advocated "neutralizing" officials of the Sandinist government in Nicaragua. "There was nothing in that manual that talked assassination," he said, adding that use of the word "neutralize" was a bad interpretation of "remove, meaning remove from office."]

Mr. Mondale appealed to wavering Democrats to come home to their party. In scraggy speeches to enthusiastic crowds, the former vice president and his running mate, Representative Geraldine A. Ferraro of New York, urged voters

not to believe polls that showed them far behind.

Reagan campaign officials said their polls gave him a national lead of 22 points. A New York Times-CBS News Poll conducted Oct. 23-25 gave the Republican ticket about a 19-point margin.

In private conversations, Mrs. Ferraro was quoted by a congressional colleague as saying she and Mr. Mondale were bending every effort to win at least five states and thereby exceed the Democratic showing in 1972, when Senator George McGovern of South Dakota carried only Massachusetts and the District of Columbia.

Reagan aides have backed off a little from predictions last week that the president would win every electoral vote except the three from the heavily Democratic District of Columbia.

The atmosphere in both campaigns Saturday suggested that the general election campaign was reaching an ending consistent with the trends that have prevailed since Labor Day.

Mr. Reagan, campaigning through Arkansas, Iowa and Wisconsin, warned that the election of Mr. Mondale would take the nation "back to the days of torpor, timidity and taxes."

Mr. Mondale, in his speeches and television commercials, stressed his message that he would rather be a principled "underdog" than win by appealing to voters' selfishness.

In a final swing through the industrial Middle West, he told a Michigan audience that his campaign stood for "compassion and justice" for working people while Mr. Reagan was the defender of the wealthy.

The candidates' travels in a final spirited weekend of campaigning reflected their strategists' assessments of the states in which the presidential contest is still close.

Mr. Lake said the Reagan campaign rated Iowa and Mr. Mondale's home state of Minnesota as "dead even."

Vice President George Bush traveled Saturday to Pittsburgh to announce a federal grant in a move that reflected a battle for Pennsylvania.

Democratic strategists also singled out Hawaii, Washington, New York, Massachusetts, Rhode Island, Maryland and Michigan as



Senator Edward M. Kennedy of Massachusetts joined Walter F. Mondale at a campaign rally on Boston Common. Police estimate that 80,000 people attended the rally.

states where Mr. Mondale hoped to make a late charge. Mrs. Ferraro's plans to make a return visit to Rhode Island, a state with only four electoral votes, demonstrated the emphasis in the Mondale campaign on simply carrying as many states as possible even if a winning total of 270 electoral votes appeared to be out of reach.

## Republican Uses Wealth, Reagan Ties To Tighten Massachusetts Senate Race

By Fox Butterfield

New York Times Service

BOSTON — In an acrimonious fight for the U.S. Senate in Massachusetts, Raymond Shamie, a conservative, millionaire businessman who has closely associated himself with President Ronald Reagan's policies, appears close to overtaking Lieutenant Governor John F. Kerry, a liberal Democrat.

Although registered Democrats outnumber Republicans in Massachusetts by 4-1, Mr. Shamie appears to have made deep inroads among working-class Roman Catholic voters, the backbone of the Democratic Party here, by echoing the president.

Mr. Shamie's message has been simple. He has pledged to oppose tax increases and abortion, and he has called for a stronger national defense.

A recent poll by The Boston Globe indicated that Mr. Kerry was ahead by 50 percent to 40 percent, with 10 percent undecided. But the race may be closer than that. The poll also found that among the more likely voters Mr. Kerry led by only four percentage points, 48 percent to 44 percent.

Mr. Shamie demonstrated his appeal in the Republican primary last month by winning 62 percent of the vote against Elliot L. Richardson, who held four cabinet posts and two ambassadorships under three U.S. presidents.

The general election campaign has been bitter. Mr. Shamie has repeatedly accused Mr. Kerry of lying. Mr. Kerry has accused Mr. Shamie of being vague. Mr. Shamie has also asserted repeatedly that Mr. Kerry would vote to raise taxes, an assertion that Mr. Kerry has denied.

An uncertain factor is how much Mr. Shamie, 63, the chairman of a high-technology company, has been hurt by disclosures about his association with the John Birch Society and by questions about his efforts to indoctrinate his employees with his conservative ideology.

The questions intensified after Mr. Shamie defended the John Birch Society as "decent people from the mainstream of America."

Mr. Kerry, 40, a graduate of Yale University, has said: "That is an insight into Ray's thinking. If you know they've called Dwight Eisenhower a member of the Communist conspiracy, you can't say they are part of mainstream America."

Mr. Shamie also came under criticism three weeks ago at a meeting with a Jewish group in Sharon, the Boston suburb where his company, Metal Bellows Corp., is based.

Members of the audience noted that the Anti-Defamation League of B'nai B'rith had denounced the John Birch Society for anti-Semitism. They quizzed Mr. Shamie on why he gave his employees literature of the rightist Liberty Lobby.

The Anti-Defamation League contends that the Liberty Lobby is one of the most anti-Semitic organizations in the country.

"You have a responsibility to know what the John Birch Society is all about," a woman in the audience said angrily. "You said they are decent good citizens, nice people. I don't think they are nice people."

John Martilla, a political consultant for Mr. Kerry, contended that Mr. Shamie was benefiting from Mr. Reagan's popularity and the large sums Mr. Shamie has spent.

So far, Mr. Shamie has spent \$935,979 of his own money on the campaign, according to reports filed with the Federal Election Commission. In 1982, when Mr. Shamie ran unsuccessfully against Senator Edward M. Kennedy, he spent \$1.3 million of his own.

The most heated moment of the campaign this year came when John McManus, a spokesman for the John Birch Society, and Major General George S. Patton Jr., retired, the chairman of a Veterans for Shamie group, said Mr. Kerry was a Communist sympathizer guilty of "near-treasonous activity" in the Vietnam War.

Mr. Kerry, who commanded a Navy patrol boat in Vietnam, was awarded a Silver Star, the Bronze Star and three Purple Hearts for wounds. But he later organized the Vietnam Veterans Against the War.

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## CAMPAIGN BRIEFS

## The 'Boys on the Bus' Are Women

NEW YORK (NYT) — Although a few of the journalists reporting on the 1972 presidential election were women, Timothy Crouse's "The Boys on the Bus" repeatedly referred to the press corps following the candidates as "the men." Such a characterization would be a gross error in 1984.

Journalists say more women than ever before have been given the assignment of following a political candidate this year. On recent campaign trips about 20 percent of the reporters following the presidential candidates and roughly a third of those traveling with the vice presidential candidates have been women, according to campaign staffs.

According to company spokesmen, the Los Angeles Times has used 7 women and 15 men to cover the candidates. The Associated Press has used 5 women and 10 men for its coverage. CBS News has used 7 women and 9 men, and The New York Times has used 3 women and 7 men.

## Moral Majority Reaches Maturity

LYNCHBURG, Virginia (NYT) — Moral Majority, the fundamentalist Christian lobby that went public in 1980 with issues such as school prayer, abortion, homosexuality and pornography, has come to maturity this year. It confidently awaits a harvest of votes for its causes and candidates on Tuesday.

Fundamentalist churches were holding "God and country" services on Sunday to inspire voters and help ministers and other leaders get them to the polls. Although the ministers do not tell parishioners to vote for President Ronald Reagan, the message is clear. The Reverend Jerry Falwell, founder of the Lynchburg-based Moral Majority, has called for a 24-hour fast beginning at sundown Monday with periods of "deep prayer that God will send a spiritual awakening to America" on election day. Supporters and opponents of the religious right agree that it has had a much greater effect this year than in 1980, in organization, in mobilization of workers, in registration of voters and in support from Mr. Reagan.

## For the Record

John A. Zaccaro, husband of Democratic vice-presidential nominee Geraldine A. Ferraro, was involved in two multimillion-dollar real estate transactions last year that now are being investigated by a Manhattan grand jury.

Conservative organizations with titles like American Heroes for Reagan are spending at least \$18 million on behalf of the president in what are called independent expenditures that circumvent federal spending limits. Campaign spending documents filed with the Federal Election Commission and other sources show.

## Demand for Food Aid Up 20% in U.S.

Los Angeles Times Service

WASHINGTON — The demand for emergency food assistance in the United States has risen an average of 20.4 percent during the last year, according to a 36-state survey by a nonprofit advocacy group for the poor.

Among the study's major findings was that 71 percent of the 298 providers of food who were surveyed said that private charities could not meet the current need and that many households were being referred to them by state or local agencies unable to help.

## Hospital Ethics Committees Play Life-Death Roles

By Andrew H. Malcolm

New York Times Service

NEW YORK — Hundreds of American hospitals are quietly organizing internal ethics committees that are coming to play crucial roles in life-and-death decisions for thousands of patients.

The committees, typically composed of doctors, nurses, administrators, clergy and social workers, play a number of roles.

In many cases these groups are drafting policy guidelines for such vital decisions as who is connected to life-saving dialysis machines, when a critically ill patient will not be resuscitated by machine, when treatment may be withheld from premature infants and how hospital patients may ask to die.

In many hospitals these committees have already participated in decisions to maintain treatment of some seriously ill patients, despite their wishes, while letting other patients die at their request.

Earlier this year, for example,

members of the bioethics committee at St. Joseph Hospital in Orange, California, one of the first in the country, met at length with a family and its 62-year-old patriarch, a totally paralyzed stroke victim connected to a respirator. The patient wanted the breathing machine turned off. His family did not.

"Basically, we told him he would die without the respirator," said one committee member, "and we told them he had no reasonable hope of recovery. Then we left them to talk. An hour later the family agreed and left. The man said, 'I still don't want to live like this anymore.' We waited a few more hours to be sure. We gave him a sedative for comfort and disconnected the machine. He died a few minutes later."

Such decisions, involving medicine, morality and often intense emotion, are a growing issue nationwide as medical advances give doctors and patients choices they did not have only a few years ago.

But patients and their families are often unaware of the existence of ethics committees that can help them in making a choice.

In many places, formation of such committees, whose members are appointed by hospital administrators or who sometimes simply volunteer out of private interest, is opposed by doctors who see them as second-guessers impinging on physicians' decision-making prerogatives.

The President's Commission for the Study of Ethical Problems in Medicine estimated that in 1982 less than 1 percent of the nation's 6,915 hospitals had such groups. Current figures are not available, but Dr. Ronald E. Cranford, one of the movement's most active leaders, estimates that in just two years the number has probably mushroomed to nearly 10 percent.

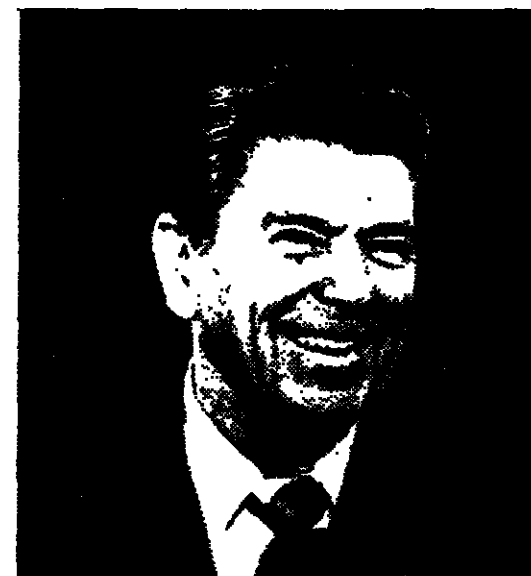
"We are just in the movement's infancy," said Dr. Cranford, who practices at Hennepin County Medical Center in Minneapolis.

"but its strength and direction are clear."

Already, for example, 39 of 44 Roman Catholic hospitals in California have established such committees, and Dr. Cranford said three-quarters of the hospitals in Minneapolis and St. Paul had set up ethics committees of one kind or another in the past couple of years. "Sure, there are many more ethics committees," said Mary Babich, a spokeswoman for the American Hospital Association. "The hospital's awareness of the need for such committees and the public awareness of the issue are greater today even than yesterday."

"We didn't have a baboon heart in a baby last week," she continued. "This week we do. We didn't used to have artificial hearts, and we couldn't keep tiny premature babies alive. Now we can. But should we? With all these new technologies it seems the ethical and philosophical considerations haven't kept up. And the committees help work this out."

## WHO WILL WIN?



President Ronald Reagan (Republican)



Walter Mondale (Democrat)

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"BROADCASTING TO THE WORLD"

# Reagan's Legislative Hopes at Stake in Elections for House, Senate

(Continued from Page 1)

crowds of their own. But private surveys by both parties indicate that Mr. Reagan and his running mate, George Bush, have continued to expand their lead in most states during the closing week of the campaign.

President Reagan has a chance of winning a 50-state sweep, but to do so will be difficult. In Mr. Mondale's home state of Minnesota, which the Republican ticket has left alone, Mr. Reagan may be slightly behind. In Iowa, Oregon, Rhode Island, Hawaii and Maryland, late surveys and estimates have shown him with only the narrowest of leads.

In the major states on which Electoral College victories are built, Mr. Mondale appears competitive only in Pennsylvania, New York, Massachusetts and Illinois, and trails in all four of them. President Reagan is favored to win Georgia, Hawaii and West Virginia, which he lost to Jimmy Carter in 1980, and could top the 489 electoral votes he gained that year.

Two hundred and seventy electoral votes are needed for victory.

The Post-ABC Poll completed call-back interviews between Monday and Thursday nights to 8,969 of the 11,807 voters first interviewed Sept. 22 through Oct. 2. Despite the intervening events, including two presidential debates and one vice presidential debate, only 10 percent of the sample said they had changed their minds about their candidate's support.

That exceptionally low percentage of change indicated that most voters had made their choices early. Since the switches to and from President Reagan were nearly offsetting, the 57-to-39-percent post result was not far from the 55-to-37-percent majority the president enjoyed in the earlier survey.

The biggest shift to Mr. Reagan came among voters who earn \$20,000 to \$30,000 a year, perhaps suggesting success for the Republican counteroffensive on the tax issue. Mr. Reagan lost ground marginally among some small voting blocs in the past month, but the overriding impression of the poll is the president's across-the-board strength, spanning every region, every age group, and every income category.

He has held onto a quarter of those describing themselves as Democrats and half the members of union households and is getting 40 percent of the Hispanic vote. He is overwhelmingly rejected by blacks. He is 9 percentage points less popular among women than men, although he still leads among women.

The steadiness of the Reagan lead since last summer has stripped most of the drama from the presidential race and shifted much of the speculative focus to other races.

None has drawn more attention than the Hunt-Helms battle in North Carolina, which has broken all previous Senate records for spending, and perhaps vituperation. Senator Helms leads 49 percent to Governor Hunt's 46 percent in a Gallup Poll for several state newspapers. Private tracking polls indicate that Mr. Helms has captured what a Democrat called "the vital half-step advantage" in the closing days of the race.

In Tennessee, Representative Gore, 36, seems certain to move to the Senate where his father once served.

In Iowa, Representative Harkin appears to have a comfortable lead over Senator Jepsen, according to polls. In Illinois, private polls on both sides show the Percy-Simon race dead even, and Republicans fear that the push for straight-ticket voting in Chicago wards and a heavy black voter turnout could sink Senator Percy.

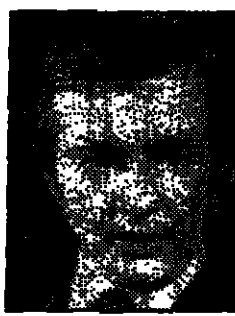
That could leave the Republicans with a Senate majority as small as 52 seats to 48, but they have the opportunity to pad that if their longshots come through in Kentucky or West Virginia.

In Kentucky, a Jefferson County judge, Mitch McConnell, the Republican, has made a surprising surge against Senator Walter D. Huddleston, the Democrat, and made that seemingly safe incumbent nervous.

West Virginia's retiring Democratic governor and Senate candidate, John D. Rockefeller 4th, has been similarly scared by a Republican business executive, John R. Raese.

In Texas, the retirement of Senator John Tower, a Republican, has opened a seat. Representative Phil Gramm, a Republican who in his earlier incarnation as a Democrat co-sponsored the 1981 Reagan budget, appears to be far enough ahead of a liberal Democratic state senator, Lloyd Doggett, to win unless the huge increase in Texas voter registration heralds an outpouring of black and Hispanic voters.

## Key races In the Senate



Hunt



Helms

**NORTH CAROLINA** — Governor James B. Hunt Jr., 47, a Democrat, is challenging incumbent Senator Jesse Helms, 62. Though a statewide race, it has been in effect a campaign that has taken on national significance. Mr. Helms embodies a brand of rightist conservatism that encompasses religious fundamentalism, fear of "godless communism," and support for South Africa. Mr. Hunt, often described as a moderate who is emblematic of the New South, has campaigned on his support for economic and educational reforms.

The campaign has seen increasingly bitter charges of lying, stealing and racism, and is the most expensive Senate contest in history, with the two candidates spending \$22 million between them and airing more than 7,500 television ads in the past five weeks. Polls show Mr. Helms leading, but by less than the polls' margin of error.



Simon



Percy

**ILLINOIS** — Senator Charles H. Percy, 65, a moderate Republican, is being challenged by Representative Paul Simon, 55. Mr. Simon, a five-term Democratic congressman, is appealing to liberal and black voters who in the past have provided Mr. Percy with the margin of victory over conservative Democratic opponents. Mr. Percy is chairman of the Senate Foreign Relations Committee, and this position could fall to Mr. Helms if Mr. Percy is defeated. Latest polls indicate that the difference between the two is within the statistical margin of error.



Jepsen



Harkin

**IOWA** — Senator Roger Jepsen, 55, is facing Representative Tom Harkin, 44, who has a reputation for beating Republicans in their own territory. Mr. Harkin, a five-term Democrat, carries on the state's tradition of liberal populism, while Mr. Jepsen is in the forefront of senators pressing conservative legislation on abortion, school prayer and other social issues. He was embarrassed early in the campaign by the revelation that he once visited a "nude health spa." Although he has advanced in the polls in recent weeks, Mr. Harkin still leads by a small margin.

## SENATE SEATS

	98th Congress	Not Up in 1984	At Stake in 1984
Democrats	45	31	14
Republicans	55	38	19

## SYMBOLS USED FOR PARTY DESIGNATION

AM — American	NU — New Union
CIT — Citizens	P — Prohibition
CON — Communist	POP — Populist
DEM — Democrat	R — Republican
CRP — Communist Workers	SOC LAB — Socialist Labor
D — Democratic	SOC WORK — Socialist Workers
DFL — Democratic Farmer-Labor	TICP — Think Independent Citizens
I — Independent	WL — Workers League
LR — Independent-Republican	WWP — Workers World
LIB — Libertarian	
LU — Liberty Union	

\*Incumbent \*Candidate of party that currently holds each incumbent seat

## GOVERNORSHIPS

	Current Line-Up	Not Up in 1984	At Stake in 1984
Democrats	35	29	6
Republicans	15	9	7

States	Senators	Governors
ALABAMA	* HOWELL HEFUN (D) ALBERT LEE SMITH JR. (R) S. D. "YANA" DAVIS (LIBERT)	
ALASKA	* JOHN E. HAVELOCK (D)	
ARIZONA	* TED STEVENS (R)	
ARKANSAS	* DAVID PRYOR (D) ED BETHUNE (R)	* BILL CLINTON (D) WOODY FREEMAN (R)
CALIFORNIA	NANCY DICK (D) * WILLIAM L. ARMSTRONG (R) CRAIG GREEN (LIBERT) EARL HIGGERSON (P) DAVID MARTIN (SOC WORK)	
COLORADO		
CONNECTICUT		
DELAWARE	* JOSEPH R. BIDEN JR. (D) JOHN A. BURGESS (R)	* WILLIAM T. QUIGLEY (D) * MICHAEL N. CASTLE (R)
FLORIDA	* SAM NUNN (D) JON MICHAEL NICKS (R)	
GEORGIA		
HAWAII	PETER M. BUSCH (D) * JAMES A. MCCLURE (R) DONALD S. BILLINGS (LIBERT)	
IDAHO	PAUL SIMON (D) * CHARLES H. PERCY (R) MARJORIE H. PREES (CIT) ISMAEL FLORY (COM) STEVEN I. GIVOT (LIBERT) NELSON GONZALEZ (SOC WORK)	
ILLINOIS		
INDIANA		* W. WAYNE TOWNSEND (D) * ROBERT D. ORR (R) ROCKLAND SNYDER (AM) JAMES A. RIDENOUR (LIBERT)
IOWA	TOM HARKIN (D) * ROGER W. JEPSEN (R) GARRY DAYOUNG (I) JAMES R. MAHER (D) * NANCY LANDON KASSEBAUM (R) MARIAN RUCK JACOBSON (AM) LUCILLE BIEDER (C) DOUGLAS N. MERRITT (LIBERT) FREDA H. STEELE (P) * WALTER D. HUDDLESTON (D) MITCH MCCONNELL (R) DAVE WELTERS (SOC WORK)	
KANSAS	* J. BENNETT JOHNSTON (D) (No Republican candidate) ELIZABETH H. MITCHELL (D) * WILLIAM S. COHEN (R) P. ANNE STODDARD (CST)	
KENTUCKY		
LOUISIANA		
MAINE		
MARYLAND	* JOHN F. KERRY (D)	
MASSACHUSETTS	* RAYMOND SHAMIE (R) * CARL LEVIN (D) JACK LOUSMA (R) SAMUEL L. WEBB (CWP) LYNN JOHNSTON (LIBERT) ARTHUR R. TISCH (TICP) FRED MAZEUS (WL) WILLIAM ROUNDTREE (WWP) MAX DEAN (I) JOAN ANDERSON GROVE (DFL) * RUDY BOSCHWITZ (LR) RICHARD PUTMAN (LIBERT) JEFFREY N. MILLER (NU) ELEANOR GARCIA (SOC WORK)	
MICHIGAN		
MINNESOTA		

States	Senators	Governors
MISSISSIPPI	* WILLIAM F. WINTER (D) * THAD COCHRAN (R)	
MISSOURI		* KENNETH J. ROTHMAN (D) * JOHN ASHCROFT (R)
MONTANA	* MAX BAUCUS (D) CHUCK COZZENS (R) NEIL HALPERN (LIBERT)	* TED SCHWINDEN (D) PAT M. GOODOVER (R) LARRY DODGE (LIBERT)
NEBRASKA	* J. JAMES EXON (D) NANCY HOCH (R)	
NEVADA		
NEW HAMPSHIRE	NORMAN E. D'AMOURS (D) * GORDON J. HUMPHREY (R) SAUNDERS H. PRINACE (LIBERT)	* CHRIS SPIROU (D) * JOHN H. SUNUNU (R)
NEW JERSEY	* BILL BRADLEY (D) MARY V. MOCHARY (R) HAROLD F. LEINENDECKER (LIBERT) JULIUS LEVIN (SOC LAB) PRISCILLA SCHENK (SOC WORK) JASPER C. GOULD (I) JAMES T. HAGEN (I) JUDITH A. PRATT (D)	
NEW MEXICO	* PETE V. DOMENICI (R) ORLIN G. COLE (write-in)	
NEW YORK		
NORTH CAROLINA	JAMES B. HUNT JR. (D) * JESSE HELMS (R) BOBBY YATES EMORY (LIBERT) KATE DAHER (SOC WORK)	* RUFUS EDWARDS (D) JAMES G. MARTIN (R) H. FRITZ PROCHNOW (LIBERT) GREGORY MCCARTAN (SOC WORK)
NORTH DAKOTA		* GEORGE SINNER (D) * ALLEN I. OLSON (R)
OHIO		
OKLAHOMA	* DAVID L. BOREN (D) WILL E. CROZIER (R) ROBERT T. MURPHY (LIBERT) MARJORIE HENDERSON (D) * MARK O. HATFIELD (R)	
OREGON		
PENNSYLVANIA		
RHODE ISLAND	* CLAIBORNE PELL (D) BARBARA LEONARD (R) MELVIN PURVIS JR. (D) STROM THURMOND (R) STEPHEN DAVIS (LIBERT)	* ANTHONY J. SOLOMON (D) EDWARD DIPRETE (R)
SOUTH CAROLINA		
SOUTH DAKOTA	GEORGE V. CUNNINGHAM (D) * LARRY PRESSLER (R)	
TENNESSEE	ALBERT GORE JR. (D) * VICTOR ASHE (R) KHAULI-ULLAH AL-MUHAMMAYIN (I) ED MCATEER (I) LLOYD DOGGETT (D) * PHIL GRAMM (R)	* WAYNE OWENS (D) NORMAN H. BANGERTER (R) L. S. BROWN (AM) MADELINE M. KUNIN (D) * JOHN J. EASTON JR. (R) MARIAN WAGNER (CIT) WILLIAM WICHER (LIBERT) RICHARD GORTLES (LR)
TEXAS		
UTAH		
VERMONT	EDYTHE C. HARRISON (D) * JOHN W. WARNER (R)	* BOOTH GARDNER (D) * JOHN SPILLMAN (R) MARK CADNEY (I) BOB LEROY (POP) CHERYLL HIDALGO (SOC WORK)
VIRGINIA		
WASHINGTON		
WEST VIRGINIA	* JOHN D. "JAY" ROCKEFELLER IV (D) JOHN R. RAESE (R) MARY E. JOHAN RADIN (SOC WORK)	* CLYDE M. SEE JR. (D) ARCH A. MOORE JR. (R)
WISCONSIN		
WYOMING	VICTOR A. RYAN (D) * ALAN K. SIMPSON (R)	

## U.S. Election Results on Radio and TV Where to Find Them...

**Voice of America**  
Short wave radio from midnight until 6 A.M. GMT.  
In Europe: 6040, 7200 and 9720 kilohertz.  
In the Middle East: 6040, 7200 and 9740 kilohertz.  
In Africa: 7280, 9550 and 11835 kilohertz.  
In East Asia: short wave, 21540, 17735, 15330, 15290, 15210, 11795, 1580, and 1143 kilohertz.

**American Forces Network**  
Radio (heard mainly in Germany, Belgium and the Netherlands): Medium wave, 873 kilohertz, and FM, 89.7 megahertz. Live coverage from 1 A.M. to 7 A.M. local time. Television (can be seen in West

Germany in the Frankfurt area, Bremerhaven and Berlin; in Belgium at Supreme Headquarters, Allied Powers Europe, and in the Netherlands in Amsterdam): ABC live coverage from 1 to 5 A.M., and again from 5:30 to 7 A.M. local time. Cable News Network's news roundup from 5 A.M. to 5:30 A.M.

**BBC World Service**  
News and results Tuesday night from 11 to 11:30 P.M. GMT, and Wednesday morning from 12:30 to 1:30 A.M., 1:45 to 2 A.M., 2:15 to 3:30 A.M., and 3:15 to 4 A.M.  
Radio frequencies in Europe: short wave, on the 31 and 49 meter bands; medium wave, 640 kilohertz.

**Radio Monte Carlo**  
Radio reports in French from correspondents in the United States and comments by experts in France. Medium wave, 1600 kilohertz, from 7 to 8:30 A.M. Can be heard in France, Switzerland, Italy, Spain and Portugal.

**In the Middle East:** After 3 A.M. GMT, medium wave, 1323 kilohertz. Short wave, on the 19 meter band.  
In Singapore: FM, 88.9 megahertz.

Election coverage will also be broadcast in the 36 BBC foreign service programs in languages other than English.

## ... And What to Watch For

**WASHINGTON** — If Walter F. Mondale is going to astound the poll-takers by pulling off one of the great upsets in U.S. electoral history, there will be some early signs for those following the returns on radio and television.

For signs of Mr. Mondale winning the 270 electoral votes he needs for an upset, watch the early returns from the Northeast. It would begin with his carrying traditionally Democratic states such as Massachusetts (13 electoral votes, polls close 8 P.M. EST) and Rhode Island (4 votes, 9 P.M.).

Early clues might also come from Kentucky (9 votes, 7 P.M.), Connecticut (8 votes, 8 P.M.), and Missouri (11 votes, 8 P.M.).

Some Republican observers say that if Mr. Mondale is going to give the president any kind of contest, it could show in Connecticut and Kentucky. The latter is an indicator of voting trends in southern and border states.

Missouri rural returns might give some clue of farm sentiment, a key element in the 1948 upset by Harry S. Truman.

A big Mondale margin in New York City would prompt projections that he was going win New

York, the nation's second-largest state (36 votes, 9 P.M.). Similar margins in Philadelphia and Pittsburgh would put Pennsylvania (25 votes, 8 P.M.) in the Democratic column.

But if Mr. Reagan carries Massachusetts (13 votes, 8 P.M.) and Rhode Island (4 votes, 9 P.M.) and appears to be running well in the big Eastern cities, it will be a re-election landslide for the president.

Mr. Mondale cannot win on the Northeast alone. Even if he wins in that region, he will need electoral help from the big industrial states of the Midwest — Ohio (23 votes, 7:30 P.M.), Michigan (20 votes, 8 P.M.) and Illinois (24 votes, 8 P.M.). If Mr. Mondale carries those three, it will be a long night of uncertainty.

In the deep South, some see Georgia as Mr. Mondale's key state in the region, but at least one Democrat says Alabama may be a better indicator. In any case, no really expects Mr. Mondale to win states in the South, and if he does, the race may not be decided until late in the evening.

If the election is a Reagan landslide and settles down to a question of who gains what in Congress, there will be some early tests of Mr. Reagan's coalition.

The Senate race in Massachusetts between Lieutenant Governor John Kerry, a Democrat, and Raymond Shamie, a Republican, will be an early test. If Mr. Reagan carries the state but Mr. Kerry beats Mr. Shamie, it will indicate that Democrats are deserting Mr. Mondale but staying loyal to state candidates. A Shamie victory is potential trouble for the Democrats.

(AP, UPI)

## Computerized Ballots Slowly Edging Out Their Mechanical Predecessors

By David E. Sanger  
New York Times Service

**NEW YORK** — When residents of Bradford County, Pennsylvania, arrive Tuesday at the polls, the familiar levers and cranks of the old voting booths will be gone. Voters there, and in a handful of other U.S. communities, will cast presidential ballots electronically, pressing buttons on what amounts to a souped-up personal computer.

Election officials say that the old-fashioned voting booth is doomed — in fact, nobody even makes them anymore — and the era of electoral electronics has begun.

"We've been electing presidents with 19th century technology," said Gary Greenhalgh, who heads the Federal Election Commission's efforts to modernize the ballot box. "It's time to do better."

Just what makes for a better system, however, is a

matter that has eluded consensus. Nearly half the United States, including California and much of Illinois, now votes by pushing holes in computer punch cards, a system invented by a political science professor in the early 1960s.

In Milwaukee, Louisville, Kentucky, and Birmingham, Alabama, voters will use an optical scanner that reads and tallies pencil marks on a paper ballot.

The Federal Election Commission estimates that 7 percent to 10 percent of U.S. voters, mostly in rural areas, will still simply put paper ballots into a ballot box this week, and their votes will be counted by hand after the polls close.

Electronic systems, however, are gaining ground. Not only are they small and speedy but, because of the fall in the price of nearly all small computers, they are often cheaper than the old voting booths. Connected to a telephone, an electronic booth can "dump" vote

tallies into a central computer at a state election commission in seconds.

To ease the transition, some of the computerized machines have been designed to resemble their mechanical predecessors. The Shouptronics Election System, made by the R.F. Shoup Corporation of Bryn Mawr, Pennsylvania, looks like a traditional booth from the outside.

Inside, candidates are listed on a large computer printout that overlays a master control panel. Instead of pulling levers, voters press a box on the ballot, activating a button underneath. The choice is illuminated but not recorded until the voter hits a master switch on the way out of the booth.

"We've used it in Santa Fe, Memphis, Montgomery, all over, and the response has been great," said David

Deufel, vice president of Shoup. The machine costs about \$3,600.

Another type of electronic voting booth is built around the International Business Machines Corporation's home computer, the PCjr. It uses a "touch-screen" that requires voters simply to point to their choices on a video display screen showing the image of a ballot. It will be sold for between \$1,800 and \$2,800 by Integrated Microsystems of Rockford, Illinois.

No one expects electronic voting to sweep the nation overnight. Most jurisdictions have large investments in their current systems, and converting a state the size of New York, for example, could take decades. Moreover, election statutes "are all based on the mechanical booths," said Thomas Wallace, executive director of the New York State Board of Elections. "We would have to change an entire body of law."



## Cheysson in Algiers: Again, History Haunts France

By Richard Bernstein  
New York Times Service

PARIS — History, recent events have shown, haunts the French. It is a brooding, sometimes baneful presence, staring down the long corridor of the past at the affairs of the present day.

To be accused of not knowing history, of having "la mémoire courte" — a short memory — bears a special edge of insult here. It is an accusation, slipped not infrequently into French polemics, suggesting a lack of the moral awareness that comes from remembering past events.

The issue of memory has been stronger than usual since an announcement last month that the minister for external relations, Claude Cheysson, would visit Algeria starting Nov. 1, the 30th anniversary of the Algerian uprising that marks the beginning of the end of French rule there.

Mr. Cheysson's presence in Algeria on that raw nerve of a date immediately provoked a host of hostile comments, mostly from the rightist opposition, whose statements and articles recalled the murder, the torture and the agony of the Algerian independence war.

One member of the National Assembly, Michel Noir, contended that Mr. Cheysson was committing a "kind of crime against the memory of the French who were killed on that day."

If Algeria reflects the endlessly complicated

and moral questions posed by history, there is an older dispute that has similarly evoked painful memories and bitter outbursts in France lately. It concerns the reputation of Philippe Pétain, the hero of World War I, who was condemned to death 39 years ago, though never executed, for having led Vichy France in its collaboration with the Nazi occupiers of World War II.

The question of Pétain has never entirely disappeared from the French scene, certainly not since the 1971 documentary film on the years of occupation, "The Sorrow and the Pity," examined the issue of French collaboration with the Nazis.

But circumstances have conspired during the past several months to give a new prominence to the issue of Pétain. His trial was the subject recently of a documentary on national television, designed to provide evidence on the question: Was the judgment of Pétain just?

The weight of evidence in the documentary went against Pétain. The program was replete with images of French collaboration and Pétain's encouragement of it, including the dispatch of French volunteers to fight with the Nazis on the Russian front and the persecution of the Jews of France that went beyond even what the Nazis were demanding.

The issue of Pétain and the collaboration has also been evoked in several recent books of memoirs and biography here. One new work, a biography of President François

Mitterrand by Catherine Nay, details some early, and fleeting, attractions to Vichyism on the part of the future Socialist leader, who, after a year in unoccupied France, declared himself entirely for resistance by joining de Gaulle in London.

Miss Nay's study seems to show that in its early period — before the Germans occupied the southern zone of France in November 1942 — Vichyism did not necessarily inspire an immediate rejection, even by patriotic young Frenchmen.

An unabashedly pro-Pétain book of memoirs has recently been published by Jacques Isorni, the 73-year-old lawyer who defended the Vichy leader at his trial in 1945 and who has made the reversal of the guilty verdict there a lifelong crusade.

During the summer, for example, Mr. Isorni received money from an anonymous donor to publish a full-page advertisement in Le Monde contending that the French have "short memories," a charge made by Pétain himself in a speech of June 17, 1941.

Pétain, the advertisement argued, had the support of the vast majority of French when, after the crushing defeat of 1940, he agreed to head the government of a Free French zone that would not be occupied by German troops. His actions, the argument went on, had the appearance of collaboration but in fact were undertaken to lessen the harshness of Nazi rule by keeping for France an area of independent action.

According to the television documentary

on Pétain's trial, 31 percent of the French believe that he should have been acquitted.

An answer to Mr. Isorni's advertisement was published a few days later by the Association of Sons and Daughters of Deported French Jews, which recalled the anti-Semitic persecutions of the Vichy era and declared to the French, "You do not have short memories."

The anti-Semitic persecutions included the days of July 16 and 17, 1942, when nearly 13,000 non-French Jews were rounded up in a cycling stadium in Paris and deported to Auschwitz, where most of them perished. Citing a high school history manual, the statement said 75,000 Jews were deported from France to Auschwitz, including 23,000 French Jews.

"Show me one Jew who was saved by Pétain," said Lucie Aubrac, the author of another book of memoirs of the Vichy period, rejecting Mr. Isorni's contention that Pétain's collaboration masked an effort to lessen anti-Semitic persecutions. Mrs. Aubrac went on, "The Jews who were saved in France were not saved by Pétain; they were saved by the people of France."

Mrs. Aubrac, 72, is not Jewish, but she is married to Raymond Aubrac, a Jewish leader of the Resistance in Lyons and a friend of Jean Moulin, de Gaulle's clandestine representative in France, who was captured by the Nazis in 1943 was believed to have been executed.



France's external affairs minister, Claude Cheysson, left, and Claude Estier, head of the Parliament's foreign affairs committee, with Archbishop Léon-Etienne Duval in Algiers.

## At the Battle Front, Iran Appears to Shape a Strategy With Limited Goals

By John Kifner  
New York Times Service

GARKANI, Iran — The bleak, wind-carved hills in this border area due east of Baghdad are the latest scene of Iranian fortitude in the long-running, slow-moving Gulf war.

A series of swift, commando-style raids by the Iranians last month dislodged Iraqi troops from entrenched positions in Iran and brought the Iranians within six miles (9.6 kilometers) of the border, to a spot overlooking a strategic roadway.

But the limited nature and goals of the new Iranian offensive appeared to mark a change from the human-wave assaults across a broad front that had been used in the past.

Here the Iranians launched a contained operation, which some Western military observers said they believed was at least in part symbolic, to show that they were still capable of aggressive action despite increased Iraqi firepower.

"The commander of our operation," said Colonel Hussein Ettehadi, smiling slightly, "is the Twelfth Imam."

In Shiite Islam, the religious and political doctrine that has sustained Iran through four years of stalemate against what on paper appears to be a formidable foe, the central belief is that the Twelfth Imam, or supreme religious leader, was hidden away in a cave 11 centuries ago and will one day return as the Mahdi, or redeemer, to rule in a perfect society.

The colonel, who is in charge of the front, told a group of foreign journalists that his men, a combined force of regular soldiers and Revolutionary Guards, had recaptured about 30 square miles (77 square kilometers) of territory.

The area, on the fringe of the Zagros Mountains, is generally known as the Meimik Heights region. The colonel said his men completed their assault in eight hours last month, then held off four days of counterattacks.

He asserted that his forces had killed 2,000 Iraqi soldiers, breaking

three brigades, and destroyed or captured 200 tanks. Western military observers in Tehran were somewhat skeptical of the claims made in official communiqués, given the relatively limited nature of the fighting.

There have been repeated reports since late last spring by U.S. intelligence that the Iranians were massing near Basra in southern Iraq, but thus far there has been no attack in that area.

The sudden burst of fighting after months of rumors of an imminent Iranian offensive, and the continued insistence of Ayatollah Ruhollah Khomeini and other Ira-

nian officials that the war cannot end until President Saddam Hussein of Iraq is deposed, indicate little likelihood that an end is in sight.

Along the dusty dirt roads a week after the fighting, Iranian troops were digging into the overhanging ledges, building new shelters of corrugated tin, sandbags and empty wooden ammunition cases.

Scattered among their gear were brightly colored motorcycles and picnic coolers, as well as fresh supplies of gas masks in case of chemical attack. Broken tank treads were used as retaining fences, and green

and red religious flags flapped over the emplacements.

Howitzers were set in deep holes across the road, surrounded by piles of empty shell casings and fresh ammunition. As crews loaded the guns the other day, there were chants of a prayer for the well-being of the prophet Mohammed and his family, and cries of "God is great!" after the lanyard was pulled. A recently captured Iraqi tank sat on a side road.

The Iranians had fought their way through the rugged terrain to the last range of gullies, buttes and ridges that look down on the flat, green Halah plain running into

Iraq. From the heights their guns can fire on the Mandal road in Iraq, a strategic supply route on the eastern side of that country's middle sector.

But Iraq has been pounding the area back with artillery and air strikes.

"Our goal was to clear this place of enemies," Colonel Ettehadi said, leaning on a pointer as he briefed the journalists before a map in his command bunker. "They were so weak against our warriors."

Asked about Iraqi air superiority and reports that the Iranians were plagued by a lack of spare parts for their planes, the colonel replied,

"The Iraqi Air Force is not in a position to dictate the destiny of the war."

The Iraqis, the colonel contended, have not gained a single mile since the first week of the war.

### Bangladesh Cholera Deaths

The Associated Press

DHAKA, Bangladesh — More than 360 people have died of cholera and diarrhea in the last few weeks in the Sylhet and Tangail districts of Bangladesh, local newspapers reported. Sylhet is 187 miles (300 kilometers) northwest of Dacca and Tangail just to the north.



Vito Ciancimino, a former mayor, is aided by plainclothes policemen on leaving police headquarters in Palermo.

## Ex-Mayor Held in Sicily, Accused of Aiding Mafia

The Associated Press

PALERMO, Sicily — Police have arrested a former mayor of Palermo on charges of Mafia-related criminal activities, the authorities announced.

Vito Ciancimino, 60, was arrested Saturday in his Palermo apartment, where he had been held under police surveillance since Tuesday, police officials said.

It was the first time that a major Sicilian political figure had been officially accused of Mafia activities. Mr. Ciancimino, a member of the Christian Democratic Party, was mayor of Palermo from November 1970 through April 1971.

He was ordered into exile to the village of Patti on the eastern coast of the island three weeks ago while

authorities investigated his suspected Mafia ties.

Under Italy's anti-Mafia law, suspects can be sent into exile for three weeks while authorities investigate their activities. At the end of the three-week exile, a judge may overturn or uphold the prosecutor's decision.

Four magistrates investigating the revelations of a former Mafia boss signed Mr. Ciancimino's arrest warrant for criminal activities, association with Mafia operations and illegally exporting capital, a police report said.

Italian press reports have said that Mr. Ciancimino was implicated by Tommaso Buscetta, an organized crime figure. Mr. Buscetta's cooperation with authorities this fall, followin

## Soviet Streamlines Factory Ties in Bloc

By Theodore Shabad  
New York Times Service

NEW YORK — The Soviet Union, in a move aimed at closer economic contacts with its allies, has authorized factories to establish "direct links" with their counterparts in other Communist countries.

The contacts could speed the infusion of advanced technology into the Soviet economy and erode the sweeping powers of the Ministry of Foreign Trade.

Konstantin U. Chernenko, the Soviet leader, has generally been viewed as reluctant to pursue changes in economic organization begun by his predecessor, Yuri V. Andropov. But the new factory-to-factory dealings appear to be part of a continuing effort to relax controls and to endow industrial managers with more initiative.

"Direct links" is a Soviet catch phrase used for shortcuts in the bureaucratic maze of the highly structured economy. Traditionally, factories had contacts only through the government ministries that ran them. Foreign transactions, moreover, had to be channeled through trade agencies.

By letting plants work directly with the technologically more advanced East Europeans, Soviet planners hope to foster modernization, East Germany and Poland, in

particular, are thought to be ahead in high-tech industries such as microelectronics.

There are no indications that Soviet plants will be allowed to deal directly with enterprises in the West.

Under a decree signed June 7 by Prime Minister Nikolai A. Tikhonov and made public only recently, Soviet plant managers will be authorized to turn to Soviet-bloc enterprises for tools, parts and services. The managers will be "personally responsible" for the cost-effectiveness of these transactions, and the trade ministry is to "facilitate" such contacts.

The decree applies to members of the Council for Economic Mutual Assistance, the Soviet bloc's economic alliance, and to Yugoslavia, an independent Communist country with a market economy.

The alliance comprises the Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Vietnam, Cuba and Mongolia. The decree fostering direct links does not apply to China, North Korea, Cambodia and Laos, none of which are part of the Soviet-dominated economic bloc.

Provisions for direct links have been included in long-term economic accords, extending to the year 2000, that the Soviet Union has signed with Poland and East

Germany. Late last month, at a meeting in Havana of heads of government of the Soviet bloc, Mr. Tikhonov confirmed that factory-to-factory dealings had gone into effect with the two countries.

The June edict, which appears in the latest issue of the Collection of Decrees of the Government of the USSR, an official gazette, seems to carry out an idea proposed 20 years ago by Alexei N. Kosygin, then the prime minister.

He suggested in 1965 that Soviet plants be allowed to conduct foreign-trade operations on their own and to benefit from producing high-grade goods for export.

Although such decentralization of foreign trade has since been introduced in some of the Eastern European countries, notably Hungary, it was not carried out in the Soviet Union, where the authority of the Ministry of Foreign Trade remained firmly entrenched.

By drawing on the technical expertise of Eastern Europe, the decree says, the Soviet Union is seeking to expand the output of goods that meet world standards and to retrofit periodically for new models.

The closer links with Eastern Europe are also aimed at eliminating nonessential imports from the West by encouraging manufacture of more advanced industrial equipment in the Soviet Union.

By Edwin McDowell  
New York Times Service

NEW YORK — "If I ever defect back to Moscow, no one should be surprised," Svetlana Peters wrote to an acquaintance in New York on Sept. 4. "What I had confronted in this so-called Free World, was enough to kill the ideology and enthusiasm of even a strong man. I am no strong man, and I have no 'nerves of steel.' Maybe you have these."

Her letter from London was written to Jerzy Kosinski, the Polish-born author, who met Stalin's daughter in Princeton, New Jersey, a few years after she came to the United States in 1967. The three-page handwritten letter, which included two pages of postscript, hinted at her loneliness and disillusionment — a disillusionment she has described at greater length in a memoir for which she had been unable to find a publisher.

Tass reported Friday that Mrs. Peters had returned to Moscow and that her Soviet citizenship had been restored.

In the postscript to Mr. Kosinski, Mrs. Peters wrote, "My own son — Josef, age 39, a doctor — cardiologist in Moscow — is my only friend, and the only person in the whole world I am fond of." Her letter concluded: "To be with Josef is my only real wish, which I still

cannot achieve. He will fail in the Free World as I did, so the only way is to go back to him."

Mrs. Kosinski said that, while Mrs. Peters clearly wanted to return to the Soviet Union to be with her son, she was disillusioned with the West for other reasons. "As a writer," he said, "in recent years she had difficulty conveying her vision of the world or finding a publisher willing to convey it."

When Mr. Kosinski telephoned her in London, after receiving her letter, she told him that she had published the book herself in India. "This way," he quoted her as saying, "it is available to my friends and a very small circle of interested people."

Mrs. Peters published two books in the United States with Harper & Row, the first of which was a best seller. That was "Twenty Letters to a Friend," published in late 1967. The letters to a hypothetical friend deal with her father's death, with the possibility that her father had been killed and with her conversion to the Russian Orthodox Church.

A later book, "Only One Year," was less successful. "But for obvious reasons," said Frances Lindley, her editor at Harper & Row. "That first book was a huge success, and now she was last year's sensation."

Miss Lindley, who continued to

correspond with Mrs. Peters, said she "very often felt ill-used and betrayed."

Much of that sense of betrayal was expressed in the Peters manuscript that Peter Jovanovich read about a year ago. "Its message was that America's impression of her was inaccurate," said Mr. Jovanovich, director of trade books at Harcourt Brace Jovanovich, who at that time was managing director in London of Academic Press, a Harcourt Brace subsidiary.

■ "A Terrible Blow" The Sunday Times quoted a letter from Mrs. Peters to Miriam Gross, a journalist, in which she wrote: "What a terrible blow it is only to find out that on the other side of the world there are just the same idiots, incompetent fools, frightened bureaucrats, confused bosses, paranoid fears of deception and surveillance, and all as it was there, behind the Iron Curtain."

The newspaper quoted her as complaining that the officials of the U.S. Central Intelligence Agency who looked after her treated her as their "private property" and "personal pet." The Associated Press reported Saturday from London.

She felt she had disappointed them because "I never possessed any personal revelations." "My father never had been a kind of sentimental father, who chafed near the fireplace with the family about his most secret thoughts," The Times quoted her as writing.

One letter was quoted as warning defectors against expecting too much of the West: "This loss of idealism toward the Free World is what happens to defectors only too often. Because we all relied too much on propaganda, which had been telling us that there, on the other shore, in a promised land of freedom, things are different."

## Spain to Pay French Attacked by ETA

Reuters

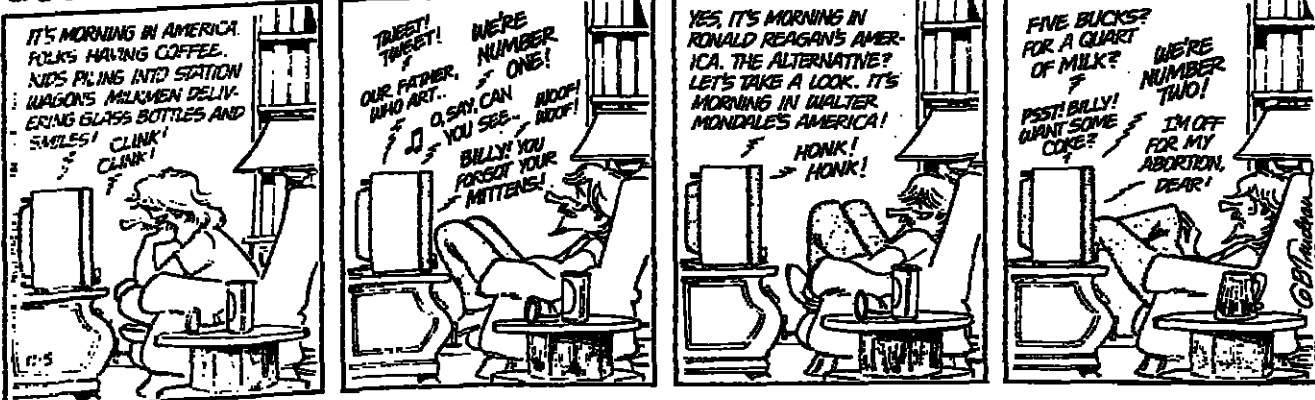
MADRID — Spain will pay indemnity to owners of French-registered vehicles that have been attacked by Basque separatists in northern Spain in recent months, the Interior Ministry announced.

A statement issued Friday said at least 23 million pesetas (\$140,000) would be set aside for

the payments, which will begin this week.

Supporters of the separatist group ETA, the Basque-language acronym for Basque Homeland and Liberty, have burned dozens of French vehicles since June to protest the French government's decision to cooperate with the Spanish authorities in rounding up Basque militants living in France.

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## Casey's Peculiar Defense

William Casey's first public statement on the CIA's manual for war against Nicaragua is as peculiar as the document it tries to justify.

The director of Central Intelligence neither identifies the author nor apologizes for the offensive passages that counseled the proper way to kill inside Nicaragua. He insists that the bulk of the manual instructs "contra" soldiers in benign conduct to befriend the population. In explaining it all away, he manages to make a liar of President Reagan and of the Nicaraguans who were given the primer.

Mr. Casey says the manual was prepared by the insurgents with the help of a CIA "adviser." He insists the instruction about "neutralizing" adversaries is not as important as the manual's lessons in guerrilla etiquette. He quotes one of them: Every rebel combatant should be capable of giving \$5 to 10 local reasons why a peasant must give him fabric, needles and thread to mend a uniform.

This pleasant exegesis, unfortunately, has been contradicted by Edgar Chamorro, the insurgent leader supposedly in charge of publishing the manual. He says its presumed author was an agency operative known as John Kirkpatrick, "who wrote those terrible things in the book that were wrong," Mr. Chamorro says that when he complained, the agent tried to bypass him, and the contras themselves finally had to rip out offending pages.

The publishing and tearing occurred last December, and the date is vital. For however benignly the manual is now read, its purpose was to encourage the destruction of Nicaragua's Sandinist regime. And there is no way to reconcile that with repeated assurances from Mr. Reagan that the CIA's help to the contras had but one objective: to interdict the flow of arms from Nicaragua to guerrillas elsewhere.

Either Mr. Reagan did not mean the assurances he issued, notably in April 1983, or Mr. Casey was not listening. Because Congress trusted those assurances, it gave qualified support to the not-so-covert war. Then came last spring's mining of Nicaraguan ports and undeniable economic sabotage, both with CIA connivance. That is what impelled Congress finally to cut off funding for the illegal war.

Mr. Casey ignores the violations of these assurances and also of the White House's promise that those who developed and approved the manual would be dismissed. Americans should support covert operations with plausible ends and defensible means — provided that Congress's monitors are fully informed. But when the CIA mines harbors and instructs in murder, in a cause specifically rejected by Congress, Mr. Casey has no basis for complaining, as he does, about editorials that speak of "illegal minings and murders."

— THE NEW YORK TIMES

## A Vile Charge on India

India quakes in agony, and what is the response from India's great good friends in Moscow? A crafty propaganda campaign that blames the United States for the Sikh rebellion and, therefore, the killing of Indira Gandhi.

Formal U.S. denials and protests are not enough. The Soviet leaders should also know that this resort to the Big Lie for some trivial advantage in India so disgusts Americans that it puts at risk the chance for improving relations between the superpowers.

The practiced Soviet fabricators do not yet make their vile charge directly. They are merely featuring articles about Mrs. Gandhi's assassination in conjunction with articles that suggest a CIA involvement, under such headlines as "Terrorism — Washington's Policy." The unwary Soviet reader is not the object. When Tass and Pravda authorize such a broadside, they are signaling Soviet agents and broadcasters to poison Indian minds at a vulnerable moment of grief and to spread anti-Americanism wherever else they can.

Are not the Russians just getting even for

the growing suspicion that they stood behind the Bulgarians who may have plotted the assassination of the pope? That may be a factor but it is no excuse. President Reagan and even the CIA, perhaps naively, have been visibly hesitant to pin that plot on the Russians.

Are not the Russians parroting a suspicion that Indira Gandhi herself had harbored? She did indeed blame Pakistan and sometimes its friends in the CIA for the unrest in the Punjab. But Soviet agents were spreading that provocative tale even then, counting on Indian paranoia about Pakistan to make it profitable.

The idea that any American leader would conspire against Mrs. Gandhi or promote civil war in India is preposterous. India's cohesion and democracy are important U.S. interests. The great majority of Americans have used this election year to persuade their own president to speak with a new respect and restraint about the Soviet Union. If the Big Lie is their reward, many will conclude that they have been wasting their breath.

— THE NEW YORK TIMES

## Murder and Mourning

It is a time of grief in Poland, and a time of unusual tension. The body of the Reverend Jerzy Popieluszko, a prominent supporter of the outlawed Solidarity trade union, was found in a reservoir on Tuesday. His murder has infuriated Solidarity members and other Poles who shared his religious convictions and his dedication to nonviolent change.

The killing seems to represent a brutal and provocative assault on the connection between the Roman Catholic Church and the workers of Poland, a connection that produced the Solidarity movement and survived the banning of Solidarity. If the regime of General Wojciech Jaruzelski fails to respond suitably, it will undercut both its approach to reconciliation within Poland and its prospects of repairing Poland's battered ties to the West.

Three low-level officers of the Interior Ministry are said to have confessed to the murder. On Friday, two colonels were detained and a general suspended in the case. But it is still necessary to ask who at a higher level, in the government or elsewhere, may have planned the crime. And what was the motive? To get rid of a prominent "troublemaker"? To intimidate

Solidarity? To provoke a popular response that might be used as pretext for a new crackdown? Or, conceivably, to challenge General Jaruzelski, whose policy, hard as it is to believe, is actually regarded as too soft by some elements in the Polish leadership?

In a communist police state, it is almost unprecedented for arrests to be made so quickly and openly in a political murder case. But it is still not clear what is behind the arrests and whether the proposed investigation is or is not a fraud. At every level, the Popieluszko case has an explosive political potential.

Statements by Lech Walesa, the former Solidarity leader, suggest that he fully understands the stakes, for Solidarity and for General Jaruzelski, who is Solidarity's nemesis but also, unavoidably, its partner in any Polish revival. While voicing the emotions of stunned and outraged Poles, Mr. Walesa has counseled calm. "Restrain yourselves in these dramatic days from manifestations of indignation, from demonstrations or other tensions," he said. "Let the silence of this mourning create conditions to start the dialogue for all."

— THE WASHINGTON POST

## Other Opinion

### The Task Before Rajiv Gandhi

Indira Gandhi kept together India's centrifugal forces with authority, cunning and state-manship and the more many enemies she had of this. She was nevertheless the uniting figure in India because she was able to control her Hindu supporters. Rajiv Gandhi clearly lacks the authority of his mother. It will be a tour de force for the little-experienced Rajiv to guide India through these difficult times.

— Het Laatste Nieuws (Brussels).

General elections are scheduled for next January. Those who had no love for Mrs. Gandhi and none now for her son, should at least wait for the people's verdict. If their

reservations are based on democratic instincts, they should accept what the people decide — and not pre-empt that decision.

— The Straits Times (Kuala Lumpur).

President Zia of Pakistan has sent two highly charged and sympathetic messages to the government of India and has spoken at some length to Rajiv Gandhi by telephone. The presidential missives are to be welcomed — as a minimum lest the swirling clouds of intercommunal violence spill over into war, and as a maximum in the hope that almost 40 years on from independence — the nations of the subcontinent are genuinely ready to come to terms with each other.

— The Guardian (London).

## FROM OUR NOV. 5 PAGES, 75 AND 50 YEARS AGO

**1909: Cracks in the Halls of Justice**  
NEW YORK — The wheels of Justice have come to a sudden stall in New York. When the judges, coroners, prosecuting attorneys and 1,500 employees arrived at the Criminal Courts this morning (Nov. 4), they found the vast pile of buildings in imminent danger of collapse, with huge cracks in the walls due to the subsidence of the foundations. Such a situation is unprecedented probably in the history of any metropolis. The growing fissures in the building were kept secret by the Tammany officials until after the election. The courts are closed till fresh quarters can be found. Five hundred men and women prisoners in the Tombs Prison adjoining the courts were panic-stricken owing to the sudden appearance of fissures in the walls of the jail.

**1934: Democrats Expect Big Win**  
WASHINGTON — The banner of the New Deal, riddled here and there by the Republican onslaught and somewhat frayed at the edges by constant attack, from all indications will be found snapping defiantly and victoriously in the breeze after the (Nov. 6) elections, with Democrats in full control of both the House and Senate. Not only will the Administration continue to muster a strong working majority in both houses, but the Democrats are conceded to have a good chance of making gains in 33 states which will elect Governors. It is considered certain the Democrats will return Governors in 24 states which are Democratic at present and oust Republicans in several states which withstood the onslaught of the Roosevelt landslide in 1932.

## A Landslide, but Deep Division

WASHINGTON — Ronald Reagan has two things going for him in the election Tuesday — the economy and foreign policy. Those are very big things. The Democrats have gotten exactly nowhere trying to convince people that Mr. Reagan has failed in either area.

Unless something dramatic happens, Mr. Reagan is going to be re-elected. There is a reasonable likelihood he will carry all 50 states, including Mr. Mondale's home state of Minnesota. Nevertheless, the fact that almost every state may vote Republican does not mean that almost everybody is voting Republican. It is for that reason we have exit polls, where every voter is polled equally.

The exit polls are likely to reveal deepening divisions in the electorate that are obscured by the apparent unanimity of the results. In 1980, for example, Mr. Reagan carried the vote among both men and women. But he carried women by 5 points, men by 15. This year, indications are that the gender gap will widen. Mr. Reagan is getting about the same support from men from four elections. Democratic support this year is perilously low.

After Southern blacks were re-franchised by the Voting Rights Act of 1965 many people expected a new era of racial politics in the South. It did not happen. The Republican Party

By William Schneider

nerability. Poor people, minorities, blue-collar workers, union members, the elderly and single women all tend to feel economically insecure. They want the protection that the federal government, and the Democratic Party, have traditionally offered. Reaganomics threatens to remove that protection.

During a recession, most people feel economically insecure and so support for the Democratic Party broadens. In a period of prosperity, the political gap widens between haves and have-nots. The haves cannot understand why the have-nots are not doing better, "like the rest of us."

The most dangerous division in American political life is, of course, race. Over the past four presidential elections, the Democrats have averaged 38 percent of the white vote and 86 percent of the black vote. Mr. Mondale will probably do even worse among white voters this year. Among Southern whites, who have averaged 28 percent Democratic over the last four elections, Democratic support this year is perilously low.

After Southern blacks were re-franchised by the Voting Rights Act of 1965 many people expected a new era of racial politics in the South. It did not happen. The Republican Party

ty in the South has been, and still is, almost completely white.

But Southern Democrats such as Jimmy Carter managed to sustain a coalition of blacks and less-well-to-do whites. Instead of racial politics, the South developed class politics.

This year, what many people feared might happen seems to be happening. Southern white voters, including many religious fundamentalists, are deserting the party of their forefathers in droves, while newly registered blacks are surging to the Democratic cause. The Democratic Party in the South seems to be evolving into a black party.

As the experiences of 1968, 1972 and now 1984 demonstrate, the Democrats cannot carry the South with a Northern liberal candidate. And the Democrats cannot carry the presidency without carrying at least some of the South. Neither Harry S. Truman nor John F. Kennedy nor Jimmy Carter could have been elected without Southern electoral votes.

So the final irony of the 1984 election may be this: an outcome that looks like near-total consensus coming from an electorate that, in many ways, is more deeply divided than at any time in recent history.

The writer, a fellow of the American Enterprise Institute, is the Los Angeles Times's political analyst.



## Do the Polls Lie? Mondale's Texas Backers Think So

By Tom Wicker

AUSTIN, Texas — The crowds and enthusiasm greeting Walter Mondale in these final days of his campaign raise a question that is applicable to the situation in Texas: Is there something wrong with all those polls so unanimously predicting disastrous defeat for Mr. Mondale?

Not that anyone except the Democratic candidate himself is predicting he will win. But Governor Mark White of Texas, for instance, said Friday that "the race is going to be much closer" than expected.

That may be wishful thinking, or the kind of political claim the governor felt obliged to make for a fellow Democrat. But some other Democrats, here and elsewhere, are saying the same thing more privately, wondering particularly if the polls have taken fully into account the possibility of a big increase in turnout, and what Mr. White called "the intensity of the public."

In this hotly contested state, where a big Reagan victory remains the best bet, a few shreds of evidence do tend to support those who predict a race closer than the one the polls suggest. It is generally conceded, for instance, that turnout is going to be

tremendous, particularly among Mexican-Americans and blacks, which reduces the proportion of white voters Mr. Mondale needs to win. As one indication, absentee ballots in Democratic-leaning Jefferson County totaled about 20,000 as of

income persons taking a full day off from regular jobs.

Mondale-Ferraro headquarters claims their nightly tracking polls have shown a gain of 2 points a day in the last week of the campaign. But they concede that even if they can

Democrats ask whether the polls have taken fully into account the possibility of a big rise in turnout, and what they call 'the intensity of the public.'

Thursday, although only 5,000 absentee voters there in 1980.

Although the Mondale national campaign promised the Texas party \$1 million for its get-out-the-vote effort, it delivered only \$600,000 and fewer candidate appearances than expected. Yet the rest of the money was raised locally — \$300,000 last week — and Election Day activities will be fully financed. In addition, Mexican-American leaders say they will place 4,000 workers in the precincts on Election Day, many of them low-

maintain that pace through Election Day, the Democratic ticket still will lose by a narrow margin.

Well-informed Democrats think state Senator Lloyd Doggett, the Democratic candidate for the U.S. Senate seat being vacated by John G. Tower, will defeat Representative Phil Gramm in a large turnout, but published polls also have Mr. Doggett trailing badly. Ticket-splitting is not unusual in Texas, and since Mr. Gramm — a "boll weevil" Democrat turned Republican — is far to the

## India's Inner Strengths Point to Future Stability

By Paul H. Kreisberg

NEW YORK — The assassination of Indira Gandhi by Sikh members of her security entourage dramatically symbolizes that the real threat to Indian democracy and security lies not from outside India's borders, as Mrs. Gandhi often claimed, but from within — from the innumerable divisions created by caste, language, religion and regional factors.

It was the heritage of Mrs. Gandhi's father, Jawahar Nehru, and a major part in her own mission to preserve Indian unity and try to divide the country into one nation. This has been done with remarkable success in one sense. It is now hard to envision India breaking apart as some predicted 35 years ago. Even many Sikh dissidents have argued for greater autonomy within India rather than independence from it. But Mrs. Gandhi's autocratic political style and her reluctance to tolerate the rise of strong figures in her own party splintered the Indian political system, intensified regionalism and enhanced social divisions within the country.

Her sense of family destiny led her to press her sons — first Sanjay, now Rajiv — to prepare themselves to assume her mantle. This strategy now leaves her party bereft of real leadership. Virtually all the states of southern India, with a third of the population, are now ruled by opposition parties — primarily based on linguistic and caste groups and themselves riven by faction. The northern states of the great Ganges plain are run primarily by weak, venal and sycophantic

leaders with no real power bases of their own. Whoever succeeds Mrs. Gandhi in the long run, political leadership at the center will be weaker and more indecisive.

Before her death, Mrs. Gandhi was preparing for new national elections to be held around year's end. There seemed little prospect then that the fragmented parties of the opposition, who performed badly during the three years they managed to hold power in the late 1970s, would throw her and her supporters out. But now the results are completely unpredictable. Rajiv Gandhi may attempt to postpone the elections in the hope of consolidating his power.

The institutions of government — the constitution, the bureaucracy, the police, the army, the courts and the administration of village life — continue to give India considerable stability. But the politics of the country were changed fundamentally during Mrs. Gandhi's 17 years in power. Congress Party unity was shattered and all party authority was transferred to Mrs. Gandhi's hands. With her death, political power is increasingly likely to be exercised by local leaders, the struggle for spoils and influence will intensify among figures little known outside their areas.

This may not be a bad thing. It could in time even bring about a new stability. But it could also intensify regional tensions and further strength-

en the political appeal of charismatic figures with a popular following but few serious policies.

India's greatest foreign policy need is for peace and quiet. Its new leaders or claimants to leadership must avoid the temptation to rally domestic support by waving the bloody shirt of Indian nationalism. Its neighbors, particularly Pakistan, must refrain from seeking short-term benefit. The United States must show understanding and walk with care and discretion not only toward India but also toward Pakistan.

The Soviet Union faces particularly difficult choices in dealing with the country that has for years been a centerpiece of its relations with the Third World and received its most sophisticated weapons. Moscow has the most to lose from a major upheaval in Indian political leadership.

Neither the Russians nor anyone else outside India will determine its political future. India's political, social and cultural uniqueness is the strongest guarantee of that. Whatever Mrs. Gandhi's weaknesses and despite the damaged political legacy she has left in India, it was to Indian independence, integrity and economic growth that she devoted her life. She should be long remembered and honored for this above all by her friends, and even by her adversaries.

The writer, who served for many years in the State Department in India, is director of studies at the Council on Foreign Relations. He contributed this comment to The New York Times.

## Plot Against the Pope: Tracing the CIA's Misanalysis

By William Safire

WASHINGTON — Margaret Thatcher escaped and Indira Gandhi was cut down; Ronald Reagan lived and Anwar Sadat died; the pope survived and a pro-Solidarity Polish priest was secretly murdered. Every world leader is the target of some madman, or nationalist group, or religious fanatic, or other world leader willing to employ terrorism.

That last category most worries U.S. strategists. If it turned out that a few journalists were right about the involvement of the KGB-controlled Bulgarian secret police in the shooting of the pope, then the trust that détente rests on in agreements with the Soviet Union is misplaced.

The evidence of conspiracy produced by Italian prosecutors means that the CIA, charged with keeping the president and National Security Council informed about the international scene of the century, was inept in its fact-gathering and wholly mistaken in its evaluation.

We know that some U.S. intelligence operatives did all they could to pour cold water on the story and to discourage the Italian authorities from pursuing their investigation.

As I wrote two years ago, the CIA vice-chief of station in Rome scoffed at Interior Minister Virginio Rognoni's description of the conspiracy to kill the pope. "You have no proof," our man insisted. This derogation paralleled a Soviet campaign to disassociate the KGB from the plot. "I think it is absolutely scandalous," charged Zbigniew Brzezinski last week, "that some officials in the State Department and some senior officials in the CIA were unwitting or in some cases, perhaps even willing — took of that campaign."

When a man of experience in the use of intelligence information suggests the possibility of a "witting tool" in the CIA, it is noteworthy.

Mr. Brzezinski has more than a passing interest in this case. As he recounts in his memoir, during the first week of December 1980, the CIA warned of the imminence of a Soviet Army move into Poland. The lame-duck president authorized his national security adviser to call the pope to brief him, which Mr. Brzezinski did.

The Russians must have known of this call, as well as of other activities of Pope John Paul II in his native Poland, where Solidarity was catching fire. Yuri Andropov, then head of the KGB, could logically have come to the conclusion that only the elimination of the leading symbol of Polish nationalism would end the incipient revolt. Six months later, the attack on the pope took place.

Since then, Mr. Brzezinski and an associate who was formerly the CIA station chief in Ankara have been among the few to encourage reporters to follow this story. This was in the face of repeated CIA evaluations given to the Senate Intelligence Committee, and presumably to the president, that the "undercraft" was too clumsy for the assassination attempt to have involved the Russians.

The conspiracy theorists seem now to have been right and the official pooh-poohers wrong. In any well-run intelligence agency, an error of this magnitude would result in a laboratory operation called "retracing the analysis." The purpose would be to

discover who made what wrong assessments, based on what misleading information, from what sources now to be considered unreliable — and why American officials tried to help the Russians by disseminating the mistaken analysis.

If it was just sloppy CIA work, the offenders would learn from their mistakes. If Mr. Brzezinski's suspicion is correct — a long shot, but not one to be overlooked — then the retracing would prove not only good management, but good security.

Now it is up to the Senate Select Committee on Intelligence to make certain the agency does the retracing. The purpose is not to embarrass, but to correct. If assassination is a weapon the Russians have been using, the United States cannot afford to have naive CIA operatives in the field.

The New York Times.

## LETTERS TO THE EDITOR

### On Reagan's Appeal

When George Bernard Shaw commented that Englishmen and Americans have everything in common "except of course language," he neglected to note the difference in spirit of the American people. That difference was never more obvious than in the British analysis of the two presidential debates. The analysts concluded that President Reagan is in the early stages of senility. His rambling, inconclusive statements and his subject changes in mid-sentence apparently have all contributed to the uneasiness surrounding his age. Have our ears become so accustomed to pomposity of language,

technological jargon and the horrors of the nuclear age that we no longer recognize hopelessness values such as sincerity, patriotism and honor?

It is precisely these values that Mr. Reagan has to offer the American people. His is the spirit of the Founding Fathers, a spirit that has been so corrupted that today such sentiment sounds to many like the rambling of an old man reflecting on a life nearly over. On the contrary, his was a message of hope from a man who believes in a new beginning, a man who represents a country whose people yearn for a return to a time that was simple, guileless and unpretentious.

AMY WHORF  
Aberdeen, Scotland.

Regarding the opinion column "When Young Americans Back Reagan They Make a Point Worth Pondering" (Oct. 29):

Michael Barone seems to have missed an important issue when he states that "young voters are going heavily for Ronald Reagan." Indeed, young male voters may be, but the majority of young female voters support Walter Mondale.

Please do not write my generation off as mindlessly, unquestioningly enjoying a good life in one of the world's richest nations; no, we are not all dazzled by the flag-waving.

MELANIE LACHS  
Paris.

## Reagan's America and The French

By Dominique Moisi

PARIS — If it were up to West European government leaders to decide, Ronald Reagan would almost certainly be re-elected. But the generally positive feeling among European leaders toward Mr. Reagan's America covers some very different realities. In conservative-led West Germany, it is accompanied by a rise of anti-Americanism, a trend that Reaganism has accentuated. But in Socialist-ruled France, the reverse is true: The decline of anti-Americanism is not the product of Mitterrandism or of a Socialist quest for international legitimacy, but of deep-seated strategic and cultural factors.

France's policies of maximum independence within the Atlantic alliance in the 1960s presupposed two conditions that are no longer present: the undisputed strategic superiority of the United States, and a French monopoly on the practice of Gaullism. The Soviet Union now appears to have a strategic edge in the European regional theater. And West Germany gives the impression of flirting with Gaullism and pacifism. So France, out of a sense of realism, has chosen to close ranks within the North Atlantic Treaty Organization.

This attitude has been a popular one in France for a variety of reasons. First, one of the main pillars of anti-Americanism, the French Communist Party, has experienced a spectacular fall, the victim of its own Stalinism. Popular support for the party has dwindled to little more than 10 percent, about half what it had been. Second, the French intelligentsia who, behind Sartre in the 1950s, defended the "motherland of socialism" and who, in the late 1960s, denounced U.S. imperialism, in Vietnam, has discovered the true nature of the Soviet empire.

The coincidence of Solzhenitsyn's denunciation of the Gulag, and Soviet expansionism from Africa to Afghanistan, brought French intellectuals — the world in starkly different terms. In the end, the realism of Raymond Aron won out.

The relative weakening of U.S. military supremacy has probably made the opening to American cultural dynamism more acceptable in France. While France was discovering the values of the alliance, its citizens, in their quest for a more open and modern society, began looking to the United States as the incarnation of the values of openness, dynamism and inventiveness.

The decline of anti-Americanism in France corresponds to an evolution in France's image of itself, of its glorious past and of its complex and evolving relation to modernity. The infatuation with high technology reflects a marked change in French economic life, a new interest in small entrepreneurs, local initiatives and the very notion of risk-taking.

French attitudes about money, trade and industry, previously disdained as base, are rapidly changing. Mr. Mitterrand's fascination with modernity and its high-technology implications is in tune with the impulses of French society. There is a craving among many French youth for all that is American — in music, movies, lifestyles and even food.

The decline of anti-Americanism in France does not, and will not, halt the continued denunciation of American cultural and economic imperialism. French-American tensions will also recur, even if the new environment will limit their consequences.

The decisive factor will always be France's frustrations over an inevitably dependent position vis-à-vis the dominant economic power, the United States. There is no economic equivalent of the nuclear bomb as a would-be equalizer between France and the United States.

The dollar plays just the opposite role. The drastic changes in the orientation of Mr. Mitterrand's economic policy, away from the logic of nationalization to the discovery of the virtues of the market economy, should not hide the reality of a tough competition — rendered even more unbalanced by the reign of the dollar.

The writer, associate director of the Institut Français des Relations Internationales, contributed this comment to the International Herald Tribune.

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# HONG KONG

A SPECIAL REPORT

NOVEMBER 5, 1984

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## The Economy: Colony Keeping Eyes on China

FOR BUSINESSMEN in Hong Kong, the details of the Chinese-British draft agreement on the British colony's future after 1997 under Chinese sovereignty are all well and good, but bankers, brokers and property men agree that the true key to Hong Kong's future well-being is the direction of the Chinese economy.

For China to tolerate a free-wheeling, capitalist Hong Kong, as outlined by Chinese leader Deng Xiaoping's "one-country, two-systems" plan, China itself must continue on its current path. Since 1979, that path has led away from rigid state planning toward a limited form of private enterprise, profit and loss accounting and, most recently, national taxation.

Although the agreement will mark the first time in history that a Western power has voluntarily negotiated the handover of a colony to a Communist power, the mid-October plenary session held in Beijing by the Communist Party Central Committee to endorse and extend Mr. Deng's reform of the Chinese economy may some day prove far more important to Hong Kong's chances of survival.

The meeting in Beijing is all the more noteworthy as news of continuing opposition to Mr. Deng's policies inside China leaks into Hong Kong. Not only do diehard doctrinaire leftists in the Communist Party and military hierarchies accuse his policies of contaminating socialist society, but lowly workers and peasants left out of the private-enterprise boom enriching others also feel resentment.

Recently a disgruntled Chinese northerner set off a bomb in the Guangzhou railroad station to express his frustration with the relative wealth of southern China. Hong Kong, soon to be part of

China, must withstand this kind of political and economic resentment or gradually pressure from the mainland will curtail its commercial activities and its international star will fade.

An unofficial member of the colony's Legislative Council, Selina Chow, summed up the challenge for Hong Kong's businessmen in the three-day debate on whether to commend the Chinese-British agreement to the people of Hong Kong: "The relationship between Beijing and Hong Kong can be compared to the relationship between a multinational corporation and its newly acquired, highly profitable subsidiary. In spite of its performance and achievement, the subsidiary cannot afford to overlook the corporate structure. For its own sake, it had better maintain its profitability."

There is no doubt that, with Hong Kong's growth in 1984 anticipated to reach 8 percent (as revised upward by the financial secretary, Sir John Brembridge, from his earlier forecast of 6 percent), Hong Kong is not exactly unprofitable. Its growth has been led by a 45-percent rise in exports, in value terms, for the first half of this year, compared with the same period in 1983. By June, industrial output had increased by about 20 percent and unemployment had fallen to 3.4 percent (considered virtually full employment). All this was accomplished during a period of unprecedented political uncertainty.

Exports to the United States, Britain and China grew 36, 15 and 57 percent, respectively, in the first half of the year. China has continued as Hong Kong's fastest-growing trading partner, leading the increases not just in domestic exports



Pedestrians wait to cross a Hong Kong street.

## A Growing Private Bank Network Backs Adventurous Entrepreneurs

By Jo McBride

MAKING A FORTUNE is close to the heart of most of Hong Kong's 5.6 million people. Well over half of the colony's population was born in China and migrated to a territory whose streets were reputed to be paved, if not with gold, then with opportunities to earn it.

Evidence that the dream is attainable appears daily in the streets and the news media and in the annual figures for growth of the gross domestic product. The captains of industry, trade taipans and shipping magnates who spearheaded this transformation by working hard and shrewdly, now expect the wealth that they have accumulated to do the same.

At their service is a growing band of private bankers. Not only banks but investment companies and stockbrokerage-based houses are rapidly introducing

these services. They see their market as not limited to Hong Kong but extending to entrepreneurs in neighboring Southeast Asia (many of whom are also ethnic Chinese) and to the newly industrializing states of South Korea and Taiwan.

In all these countries wealth is still held by individuals rather than institutions such as the mighty pension funds of the United States, Japan and Australia. Private banking in Asia is thus a very personal business, a fact stressed by all those having or hoping for a slice of the action.

"But there is nothing really new about it," said John Lewis, senior manager of the Hong Kong Bank group's private banking department. "We have been doing it for years."

Nor, he said, "can it be described as a product; it is a

## After the Beijing Pact: Relief and Resignation

HONG KONG — With only a month to go before the British Parliament reviews and probably ratifies the British-Chinese draft agreement on Hong Kong's future, a sense of relief and resignation has settled over most of the British colony's 5.6 million people.

The agreement guarantees that Hong Kong's commercial and civic freedoms will be maintained as they are now for at least 50 years under Chinese sovereignty after 1997, as outlined in Deng Xiaoping's concept of "one country, two systems." The draft has been generally perceived, by advocates and critics alike, as being more detailed than expected. That judgment must, however, be viewed in the context of two full years of political uncertainty, pessimism and occasional panic weathered by the Hong Kong Chinese.

"There's no point in it at all; write down that we don't trust China," a Chinese conductor on the colony's century-old Peak Tram said a few weeks after the initialing of the joint agreement in Beijing. His attitude is representative of many Hong Kong Chinese residents, about half of whom are refugees from the Communist mainland.

A cynical attitude toward the Communists' intentions and the ability of ordinary citizens to be heard by either a colonial or a Communist government is posing a major challenge to government officials and community leaders. They are encouraging the Hong Kong majority to shed overnight the effects of three decades of political passivity that have only been reinforced by two years of being relegated to the sidelines while London and Beijing settled the colony's future.

Despite cynicism born out of China's past political behavior, there is reason to believe that the agreement will be observed by Beijing.

The draft is clearly flawed by omissions and compromises, but, nevertheless, contains what diplomats have come to call the "super-glue clause." This is the seventh paragraph of the joint declaration, which includes the essential word "agree," which the British insisted on in the accord. (In international eyes, this key word turns the Chinese-style opening declaration of guarantees, followed by legalistic annexes drafted by the British negotiating team, into a binding agreement equal in status to a treaty.)

Sir Geoffrey Howe's timely move last July, giving Beijing a joint Chinese-British liaison group to observe Hong Kong's transition from now to 1997 in exchange for the "super-glue clause," may be Britain's most noteworthy achievement in the often acrimonious negotiations. The Hong Kong people will not know what other diplomatic prices they paid, if any, for the terms of the agreement until 2010, or 25 years from now, when the record of the 22 secret rounds of talks in Beijing will be available for public scrutiny.

Britain's performance may not shine so brightly when historians examine how closely Britain is heading its own commitment to accept a deal with China only as long as it is acceptable to the Hong Kong people. Just hours after the initialing ceremony in Beijing, Sir Geoffrey in New York, the colony's governor, Sir Edward Youde, in Hong Kong and the chief negotiator for China, Zhou Nan, spoke publicly of the newborn draft as if it were a *fait accompli* already ratified, while Hong Kong people were exhorted to carefully review and comment on its terms as if they had a choice.

Now is when the people are supposed to voice their say on what even the governor has termed a "take it or leave it" deal. No referendum will be held, although one was considered by the Foreign Office in London. The explanation given for deciding against a referendum has alternately been that the wording of its questions might be too limiting, that the territory lacked the political machinery for such an exercise, or that the Hong Kong Chinese might be politically manipulated by local Communist elements. Observers such as Peter Harris, a Hong Kong university professor, have pointed out that similar dangers elsewhere have not prevented the British from holding referendums. Another political analyst, who declined to be named, said: "Sir Geoffrey may go down in history as the man who didn't trust public opinion."

Instead of a referendum, the local government has opened an office to receive public assessment of the draft accord, should anyone wish to step forward. As of a month ago 500 persons had responded, a paltry number when compared to the total population of the territory. A leading Hong Kong community group, the Hong Kong Observers, published their critique of the accord, followed by a lengthy statement explaining that they would not be submitting their conclusions to the assessment office, which they termed a "farce."

The Assessment Office itself has come in for widespread criticism. An unofficial in the colony's Legislative Council, Wong Lam, said the office was a waste of taxpayers' money. A visiting labor member of Parliament, Ian Mikardo, termed it "a sick joke."

"It isn't in any sense meaningful; it's just a cosmetic exercise," he said. "I don't think anybody really believes in it — not even the people running it."

In an effort to increase the flow of comment from the public and lend credibility to London's claim

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## A SPECIAL REPORT ON HONG KONG

## New Trade Barriers Hinder Growth of Textile Industry

By Patrick L. Smith

HONG KONG'S textile and garment manufacturers have experienced the best and worst of times this year.

By the end of August, the industry's exports totaled 36.3 billion Hong Kong dollars — an increase of 44 percent over the first eight months of 1983. Even discounting inflation and the reduced value of the local currency, this reflects a healthy gain. Employment in the industry, at 366,000, is up 4 percent since the beginning of the year.

It is clear, however, that the industry's growth will become increasingly difficult to maintain, chiefly because of new trade barriers that could permanently alter the size and character of the industry. These have stemmed mostly from protectionist pressures in the United States, which accounts for more than 40 percent of the territory's textile exports.

In September, Washington implemented new criteria for determining a garment's country of origin. If these rules remain in effect, they will disqualify about \$300 million worth of "Made in Hong Kong" knitwear, since most of the territory's woolen sweaters are produced from unfinished components knitted in southern China.

This has been the industry's most visible concern, but it is not the only one. Since last December the United States has significantly increased its requests for curbs on categories of garments not under

quota restrictions. There have been 24 such "calls," as they are known in the industry, against Hong Kong in the last year; worldwide, the United States has requested well over 100.

Hong Kong negotiated its current bilateral textile accord with the United States in 1982, under the jurisdiction of the Multi-Fiber Arrangement, or MFA. Since then the trend toward tighter markets has been unmistakable.

At the start of the accord, about 60 percent of Hong Kong's sales to the United States were governed by export controls. "As a result of calls made since the agreement came into effect," said the colony's assistant trade director, Robert Footman, "we believe we're now about 90 percent restricted."

Strong consumer demand in the United States — and to a lesser extent in Europe — has pushed sales this year to the maximum allowed by quota agreements. There has also been a surge in the volume of exports in unrestricted categories of garments. The other source of growth in export receipts has been Hong Kong's efforts to produce more expensive goods aimed at the fashion-oriented segment of the retail market.

States of siege are nothing new to Hong Kong's textiles manufacturers. But trade conditions have worsened so dramatically under the MFA that many now argue that the territory would be better off with such a pact.

Tighter restrictions on market

access are likely to accelerate trends that have been apparent in the industry for many years — the move upmarket, for instance, and increased investment in production facilities abroad. Many manufacturers expect small companies and those serving the lower end of the market to become casualties in this process.

Knitters are beginning to turn out high-fashion angora and cashmere garments, production for such labels as Bill Blass, Ralph Lauren, Adrian Vittadini and Girbaud is no longer uncommon. "Everyone wants to make the most of their quota," said Kayser Sung, editor of the monthly Textiles Asia.

Offshore investment, which began in the 1960s, when export restrictions first began to hinder volume growth, may also accelerate. Hong Kong manufacturers have long been major investors in Southeast Asia and in such countries as Sri Lanka, the Maldives and Mauritius. Now, they are beginning to pour capital into Central America and the Caribbean — and even Britain and other parts of Europe.

In part, such investment will be determined by the degree of restrictions importers place on these areas. But many executives believe other factors could encourage the shift out of Hong Kong — political worries, rising labor costs and better access to raw materials elsewhere.

Local manufacturers complained recently, for instance, of shortages of yarns and cloth from



Stalls are full in a Hong Kong fresh produce market.

China because of changes in the mainland's distribution system. Prices of Chinese silk and angora went up last month 35 percent and 20 percent, respectively, because China's garment sector is consuming more of the country's raw materials domestically.

Washington's country-of-origin rules will hit the industry most directly. Unless they are altered, knitwear producers will have no choice but to bring their basic knitting operations back from the mainland, where labor costs are less than a third of the level in Hong Kong.

This would be expensive, since the machinery required would almost certainly have to be automated in order to avoid prohibitive wage bills. One small knitwear

company announced in October that it was being forced out of business as a result of the new requirements on origin.

Many larger companies are prepared to make new investments. Laws Fashion Knitters, for instance, plans simply to reverse its production process — moving its knitting operations to Hong Kong and its finishing and assembly plant to China's Guangdong province.

"It's daft, and it's not very efficient," said Lawrence Mills, chief executive at Laws. "But if we have to, we'll do it the daft way." Laws exported \$40 million worth of mid-range knitwear last year, almost all of it to the United States.

Hong Kong officials, with sup-

## Growing Private Bank Network

(Continued From Previous Page)

service that delivers a whole range of products" defined by the customer's needs.

One item is funds management. About \$10 billion of assets of what bankers call "high net-worth individuals" (in everyday language, rich people) are estimated to be in the care of the territory's private bankers, although less than 15 percent of this is thought to arise from Hong Kong residents.

Wardley Ltd., the merchant banking subsidiary of the Hong Kong Bank and its competitor in the business, is widely tagged by other contenders as having the greatest share of this activity.

Estimates of how much that might otherwise be managed in Hong Kong flows out of or through the territory into the stewardship of Swiss banks are hard to come by, though the figure of \$10 billion is bandied about here, too.

Whatever the total, bankers agree the private client business is growing by leaps and bounds, outpacing even the rapid economic growth that put Asia-Pacific nations at the focus of much world attention in the last decade.

Pressed on just how fast the growth is, John Quinn, senior investment manager and a director of Chase Manhattan Trust Co. (Hong Kong), suggested that the overall volume of private banking business available from the region could double to triple in the next five years.

Like his counterparts at other institutions, Mr. Quinn, emphasized that growth in the sector was characterized by diversification, with the products it offers stretching far beyond funds management. These changes he sees as being fashioned by the rapidly altering structure of both the local and global marketplaces.

"Right now," he said, "the markets are freeing up and there is room for institutions to do the business without jostling each other's elbows. But to be a significant player in this market, an institution would certainly have to be established here within the next two to three years."

Even then, a newcomer would find itself competing not only with local giants such as Hong Kong Bank and Wardley (both of which offer worldwide services) but with big overseas participants including Bank of America, Citibank, Chemical Bank and Merrill Lynch, whose private client list in Hong Kong and the Asia-Pacific region is lengthening.

The lists are mainly of individuals with movable net assets of \$300,000 and up who lack the time or knowledge of the constantly changing opportunities in international capital, currency, commodity, real estate and other markets — to manage their assets to maximum efficiency.

But wealth and a desire to keep their business dealings confidential are just about the only things the clients have in common.

One, for example, might want to order the handling of his estate after his death. This alone would

mark him out as a fairly sophisticated client, since discussion of death is virtually taboo in the East, where it is generally thought to hasten the event.

Another might want advice on how to structure an overseas joint venture, bearing in mind tax and other requirements in his home country and the foreign jurisdiction.

A minority of the clients are domiciled in countries with exchange control and must obtain official permission for overseas investments except where the funds for such investments arise out of the activities of already established foreign subsidiaries.

One of Hong Kong's advantages as a private banking center is that it has neither exchange control regulations nor capital gains tax.

Private bankers must, however, pay an 18.5-percent profits tax on their net earnings. The products they offer must thus be designed to take into account this expense and the generally slim margins on which they operate.

Depending on the depth and diversity of the service required, customers pay private banks 0.5 percent to 1 percent of the value of the assets they place under the institution's management.

At the top end of the fee scale are services embracing the whole range from tax planning to the establishment of trust companies.

At the bottom is deposit management. Here the banks act as fiduciary agent by shopping around for the best available interest rate and, when the deposit matures, either "rolling it over" — renewing it — at the same institution or placing it elsewhere.

Even this is not as simple as it might at first sight appear. Not least of the complexities is, as John Mansfield of Wardley stressed, that "a fiduciary service which places a deposit within the same [institutional] group as the fiduciary agent is a nonsense, a conflict of interest."

The conflict arises because the agent is either placing the funds in-house regardless of the interest rate, and hence doing the customer a disservice, or he is cajoling his

institution into paying a rate above what it would pay for the same volume and maturity of money in the interbank market, and hence driving up the bank's cost of funds.

That the direct harvesting of big customer deposits is a vital element in private banking is agreed on by all its practitioners.

Indeed, the desire to attract such funds provided the spur for many U.S.-based banks to refocus on the sector during the late 1970s and early 1980s. It was then that the combined effects of inflation and competition from a variety of new financial instruments in the world's ever more interdependent capital markets made banks think again about the composition and cost of their deposit base.

As a result, services that had been available free, even to customers who regularly drained their accounts of every inflowing cent, were sharply curtailed. In their place came fee-charging services for the rich, a move that brought commercial banks firmly back into a field that investment houses had been increasingly taking possession of.

The ripples have been worldwide, but nowhere felt more deeply than in the Asia-Pacific region, of which Hong Kong is the financial-services heart. The Hong Kong Bank has a program of "gap analysis" to identify products that private banking clients may want and are not getting.

Wardley is about to start a service that goes beyond the confines of the typical funds management schemes — under which accounts are handled on a "discretionary" or "advisory" basis — by allowing clients to "make all the decisions and we do the rest." The leader in funds management for the rich, Wardley has a department offering mutual funds and other investment products to those who have yet to reach that exalted class. In this sector, too, competition is fierce: In 1970 the handful of mutual funds authorized for sale in Hong Kong had assets of just under \$20 million.

Now there are 120 funds (with a further 20 awaiting approval by the territory's Securities Commission) managing assets of about \$10 billion.

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## The Economy: Colony Keeping Its Eyes on China

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but in imports and re-exports as well.

As a market for Hong Kong's goods, China increased its purchases 81 percent in the first eight months of 1984 over the corresponding period in 1983. Demand from China for Hong Kong textile products rose more than 100 percent in the half year. It is almost unmanly to see to what degree Hong Kong's economic growth increased in China's direction in the same year its political future was sewn up by Beijing.

Stockbrokers report a similar phenomenon as buying turns selective, favoring blue chips or China-related industrials. The market's reaction to the agreement itself was markedly lackluster, since astute money had re-entered the local market following Sir Geoffrey Howe's preview of the agreement at a new conference in Hong Kong in late July. So efficiently had the market discounted the good news in advance of the agreement's Sept. 26 initialing in Beijing that the Hang Seng index actually dropped

immediately afterward as profit-taking set in.

Since the agreement, the market has seceded, at times dampened by poor company results and continuing skepticism about oversupply in the property sector, which dominates about 60 percent of the Hang Seng's listings. Contrary to expectations, the agreement has not triggered a flood of investor money back into the Hong Kong stock market. "We're only seeing vigor trade and investment opportunities both at home and abroad."

A closer look at returning funds, however, points to the recurrent theme of the importance of China. What capital investment has arrived recently has been dominated by Japanese and U.S. companies and banks poised for exploiting growth in China's markets.

Hong Kong needs investment in research and development, as well as in construction of production facilities. Instead, capital investment tends toward the short-term variety. In his mid-year address, the financial secretary forecast growth of 17 percent in real terms in private expenditure on plant,

machinery and equipment, fueled by the colony's need to retain its export competitiveness against Singapore, Taiwan and South Korea. On the negative side, he reported no growth at all this year for gross domestic fixed-capital formation and a 13-percent drop in growth in private building and construction as well as real-estate developers' margins.

Most worrying to many are the real and potential changes in the colony's low level of across-the-board taxation, which to date has attracted overseas investment. For the first time since 1975, the government sought to raise funds this year from public borrowing, bringing in 1 billion Hong Kong dollars to relieve some of the anticipated deficit of 3.6 billion dollars. However, Sir John also raised taxes from 15 to 17 percent on salaries, and from 16.5 to 18.5 percent on profits.

Now the draft agreement threatens to cut government revenues by stipulating that earnings from the lease of Crown land will henceforth be split, after the cost of land formation has been deducted, between

the current government and a bank account in trust to the "special administrative region" government of Hong Kong after 1997. Since the share of government revenues accounted for by premiums on leases and land sales has ranged from 10 to 30 percent over the last decade, some money will need to come from another source over the next 13 years to replace the amount set aside for the post-1997 administration.

According to Patrick Paul, a tax partner of Price Waterhouse, perhaps as little as 5 percent of government revenue will now come from land sales and premiums. He added that "the 20-percent profit tax rate is probably not far away."

Speaking Oct. 24 in the Legislative Council, unofficial member and area general manager for the Chartered Bank, Bill Brown, recommended that if new taxation was necessary, it should be introduced in the form of indirect rather than direct taxation. For businessmen in Hong Kong, this could be the first of many permanent changes in the territory's nature posing a real challenge for the future.

— DINAH LEE

## After the U.K.-Beijing Pact: Relief and Resignation

(Continued From Previous Page)

that it has heard Hong Kong's views. Whitehall recently reversed an earlier position, promising now to destroy the names of everyone submitting a comment once the views have been put together for presentation to the British Parliament. This removed the general fear that somehow the Chinese Communists would one day punish critics of the 1997 pact, it but did not appreciably improve the meagre input. Underlying the listless public response is the realization that the agreement will probably be ratified, regardless of any local protest.

This dilemma was raised most recently Oct. 22 by a former Hong Kong director of home affairs, John Walden, in conversation with Sir Geoffrey in a BBC World Service broadcast. Sir Geoffrey had firmly ruled out any possibility that the draft agreement could be

amended in response to strong local opposition to any particular part of the drafted document.

Mr. Walden called the foreign secretary's policy "absurd" and "unacceptable." He added that such a line ruled out a sincere response from the broad public. "If people think that anything they are going to say, particularly if it is against the agreement, is going to be ignored anyway, why should they stick their necks out?"

Already, the direction of Hong Kong's political energies seems to have shifted away from discussion of the pact awaiting ratification to more fertile ground, such as the drafting by the Communists of a Basic Law for Hong Kong to be incorporated into the Chinese body of law.

As with the Chinese-British talks, the Hong Kong people have been denied direct participation in the drafting of the Basic Law, much to their frustration.

Many sense that the Basic Law, yet to be announced, will be far more important in determining Hong Kong's real future than the accord with Britain, since under the joint declaration any Hong Kong law that contravenes the Basic Law will have to go. In theory, this requirement could be employed by China's future leaders to determine all aspects of Hong Kong life, especially if changes are introduced incrementally by Beijing. Under the terms of the draft agreement, there would be no recourse for the people of Hong Kong.

While the Chinese are busy drafting the Basic Law, the British, too, have tasks ahead of them. A basic paper introducing a broader system of indirect elections is only weeks away from being polished into a white paper in its preliminary form. The paper proposes that indirect elections to the Legislative Council (now an appointed body)

be gradually introduced, and that in 1988 the question of direct elections be publicly reviewed. Sources in the government say there has been enough public response in support of considering direct elections sooner than 1988 that the date might be moved up.

However, the success of firmly planting true representative government on Hong Kong soil before 1997 depends on speedy education of the local population in the principles or advantages of an elective over a colonial or a socialist system. There has been frequent discussion at community meetings and in the local press of whether direct elections guarantee greater accountability in public officials or could threaten Hong Kong with instability.

At the heart of Hong Kong's future lies the central question of its ability to govern itself in such a way that it can truly continue its

role in the international economy, and its success in warding off attempts at interference by Communist elements, be they from Beijing, neighboring Guangdong or within Hong Kong itself. Local leaders have been late in assuming the uncomfortable burden of challenging either British or Chinese dicta. The eventual application of the white paper on representative government may prove a feeble exercise, lacking conviction from the departing British as well as from an uncomprehending Chinese population.

The chairman of a local district committee, Lawrence Lam Yin-Ming, said: "Most of our people have yet to come to grips with the basic realization that democracy is a political system that cannot be given from without, but must be cultivated from within — in the hearts and minds of the people — if it is to ever work properly."

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## Nationality and Defense Are Top Issues As Residents Scrutinize Chinese Treaty

ALTHOUGH the Chinese-British draft agreement on the future of Hong Kong is a more detailed document than anyone in the colony expected, it does not answer many questions still of concern to the 5.6 million people who must live with its consequences. Since the initialing of the draft Sept. 26 in Beijing, the people of Hong Kong, usually politically apathetic, have surprised the local government with their interest in the document itself. More than three million copies of the agreement printed in Chinese and English were collected from local government offices throughout the territory in only one month.

Initial relief that an agreement was reached has now given way to a careful scrutiny of the fine print. The result has been a fairly steady flow of questioning through the local media on issues left unresolved by the negotiating teams.

Two subjects that have popped up most often are nationality and defense. Others are election guarantees, possible tax hikes and a need for more specific assurances that press and religious freedoms will be maintained.

Nationality was one of the last issues to be tackled by the negotiators, and the resulting compromise has all the hallmarks of a rush job. A diplomat close to the talks conceded that this was the one area of the accord where the solution "was less than satisfactory in all respects." The fact that the question of nationality was tackled onto the end of the draft in an exchange of memorandums between the Chinese and British governments, and not included in the body of the

draft, led many to believe that the teams simply agreed to disagree. A local legislator, Maria Tang, went on record as saying that the nationality memorandums were less binding than the agreement awaiting ratification by the British Parliament in December.

About half of Hong Kong's people hold British Dependent Territory Citizenship, or BDTC, while the others carry Hong Kong identification cards. Since China does not allow dual citizenship and regards all Chinese born in Hong Kong as citizens of China, and since Hong Kong will cease to be a dependent territory of Britain after 1997, all Britain can offer Hong Kong Chinese is a noncitizenship passport conferring on former BDTCs British consular privileges and travel documents for use overseas. Their children will not inherit this link with Britain.

The contradiction between China's nationality law based on bloodlines and the British definition of nationality based on law leaves in question the future of non-Chinese permanent residents born in Hong Kong after 1997. If they do not, for one reason or another, inherit the nationality of a parent, they will be threatened with statelessness. The secretary for security, David Jeffries, said in mid-October that the British government would make a provision for stateless children to acquire British nationality at birth. But this would require an amendment to the British Nationality Act to be passed by Parliament. Despite the sincerity of British assurances, they are not counted on by Hong

Kong's people who have seen BDTC's status in Britain progressively downgraded since 1964, when Parliament removed any right of residence in Britain from Hong Kong British citizens.

Should the special amendment to the act be passed, it would, ironically, give the nationality status most desired by residents of the former colony to those few newborn unfortunates caught in a legal loophole.

Another question the draft leaves open is what happens to any Hong Kong Chinese who wishes to decline Chinese nationality under Beijing's sovereignty and prefers instead to simply carry the identity card and travel documents of the special administrative region, or SAR. Special Administrative Region.

Furthermore, the draft ignores the problem of protecting Hong Kong people who have worked in sensitive government posts once Beijing assumes control. The British government has separately confirmed that it may employ a clause in the British Nationality Act of 1981 to allow such people the right of abode in Britain that is generally denied to holders of BDTCs. Apparently London is quietly reviewing which Crown servants from Hong Kong should be offered sanctuary, but no one knows how many or at what level of service. It is understood that the safety net will be a small one, given British public sentiment on immigration. Finally, there are no guarantees to those receiving the new travel documents, he issued by the SAR or British government, that

the new papers will be treated by third countries with the same respect accorded full passports of sovereign countries. The director of the Hong Kong Chamber of Commerce, Jimmy MacGregor, recently underlined the importance of easy mobility for business travelers from Hong Kong, where growth is totally reliant on trade with other countries.

Details relating to defense are also highly conspicuous by their absence. The section of the draft agreement dealing with military matters is seven lines long, by far the shortest in the 46-page document. There is no clarification of whether conscription into the armed services, either to China's People's Liberation Army or an SAR force, would be introduced after 1997. Conscription was introduced to the territory in the early 1950s but abolished in 1961.

The draft agreement makes it clear that China will be responsible for military matters and that troops stationed by Beijing in Hong Kong will not interfere in internal affairs of the SAR. It does not clarify where these troops will be sent or when, though the inevitability of their arrival has been confirmed many times by Communist officials, including China's paramount leader, Deng Xiaoping.

The draft agreement does not contain any guarantee that Chinese soldiers will be subject to local laws while stationed in Hong Kong. Nor is there a clear-cut explanation of the fate of Hong Kong Chinese soldiers now in the British services (Continued on Next Page)



AT THE BORDER — A lone jeep patrols section of the Hong Kong-China border at Deep Bay, where the Shum-chin River divides the two territories. The adjoining

marshes form an important bird sanctuary and water transport is a traditional way of life for local inhabitants, who are used to buying and selling their wares through the fence.

## Trade Barriers Hinder Textile Industry

(Continued From Previous Page) port from China, the European Community countries and other producing nations, have been opposing the U.S. rules in multilateral trade talks in Geneva and bilateral consultations in Washington.

Most executives and government officials hope that, if President Ronald Reagan is re-elected, he will alter the regulations to exclude hitherto legal production practices. Although introduced on Sept. 7, the new regulations came fully into effect only last week.

The United States has so far

made only a minor concession — exempting items made of fibers not covered by the MFA. United States officials have already stopped three shipments of Hong Kong knitwear.

Mr. Reagan's stated intention in introducing the criteria was to keep producing countries from circumventing export quotas by transshipping products through unrestricted countries. But it is widely recognized that the president has also faced strong election-year pressure from the U.S. textile lobby.

Whatever the outcome of this dispute, it has clearly demonstrated

Hong Kong's growing dependence on China's labor supply. Many manufacturers maintain that Hong Kong could not furnish even a fraction of the 50,000 to 60,000 Chinese workers producing knitted panels for export to Hong Kong.

A number of executives responded to the new rules by proposing that they be permitted to bring mainland workers into Hong Kong daily.

Hong Kong administrators rejected this proposal in October. But senior government officials ac-

knowledgeed recently that the territory's shortage of labor could develop into a constraint on economic expansion.

In the longer term, dependence on China is likely to increase, as ties between Hong Kong and Guangdong are further developed.

There are some indications, in fact, that China expects eventually to inherit much of Hong Kong's industry — including the textile sector — thus leaving the territory to thrive as a port and a center for services and banking.

## Expansion of Hotel Sector Supports Widening Appeal to International Tourism

THE LEISURELY days of old Hong Kong have passed. But the territory, where tourists spend about \$1.4 billion a year, remains an exotic destination.

No longer does Kai Tak Airport close at 6 P.M. or the stately Peninsula Hotel's lobby pass as the major social watering hole in the colony, and the old Chinese Luk Kwok hotel has lost much of its charm since it stopped its jazz sessions some years ago.

In the last 25 years the colony has moved from a sleepy backwater, where hotel accommodation was talked of as "lodgings," to an international hotel center. Since the 1960s Hong Kong has witnessed a remarkable growth in ho-

tel construction. Nathan Road and Tsimstai East, on the Kowloon peninsula, are now home of steel-and-glass skyscraper hotels. Causeway Bay, once most famous for its floating population of fishermen, joined the international hotel set when it was developed after the cross-harbor tunnel opened in 1972. In all locations, the glittering array of jewelry shops and department stores have followed the hotel building boom.

As the tourist boom continues, there is general mounting pressure on Hong Kong to increase its number of hotel rooms. There are some who disagree with this, however. "I think we have sufficient rooms except for the very busy months of October and November," says Ma-

muel Woon, executive director of the Hong Kong hotels association, which represents 43 of the major hotels in the colony. But Urs Aeby, the Swiss general manager of the Peninsula hotel said that the industry cannot cope comfortably with the demand. "Two thousand more rooms would take care of the problem," he said.

No matter what the qualms may be on the question of expansion, the present 18,000 rooms now enjoy a 90-percent occupancy rate.

The six new hotels planned for construction between now and 1986 will not only help Hong Kong but will also directly affect the occupancy rates and tourist trade of both Macau and southern China as it continues to open up.

"Nineteen-eighty-five, I believe, will be a good year," Mr. Aeby said. "But that is because of the strong U.S. dollar. We will then have to wait and see. If the U.S. dollar tumbles, then there will be serious problems."

Problems or not, large foreign hotel chains are still eager to set up in Hong Kong to capture a part of the growing tourist trade in Southeast Asia. Tourists from Australia and Southeast Asia are filling the gaps left by businessmen, and now during normally sluggish periods occupancy rates of 50 percent in the first-class hotels are common, with 1.7 million visitors in the first seven months of this year, an increase of 13.6 percent over the same period last year. Such hotel-

chains as Marriott and Ramada, the Toronto-based Four Seasons group and Japan's Tokyu are eager to set up Hong Kong bases.

The strong U.S. dollar has not been the only factor contributing to the recent tourist boom in Hong Kong. Travel agents, hotels, tourist agencies and associations all note that the attendant blaze of publicity surrounding the Chinese-British agreement on the future of the colony has had a great deal of influence on the trend.

"There is the publicity that Hong Kong has been receiving. And the airlines have become much more realistic toward package tours," said Norman Hope of Audio Tours and travel of Hong Kong. "The U.S. dollar has more buying power,

and tourists are looking for quality more than they did a few years ago."

There is the tendency among tourists in Hong Kong to look for what they know well. But the sense of adventure has not disappeared with the fast growth that the colony has seen in recent years. There are still the shopping sprees that have become a ritual; there are still the traditional Chinese aspects to the colony that draw a solid tourist following.

Behind the chrome, glass and concrete of Hong Kong's urban sprawl there are new challenges awaiting the adventurous tourist, as well as a fresh sense of what Hong Kong is. The rural world of

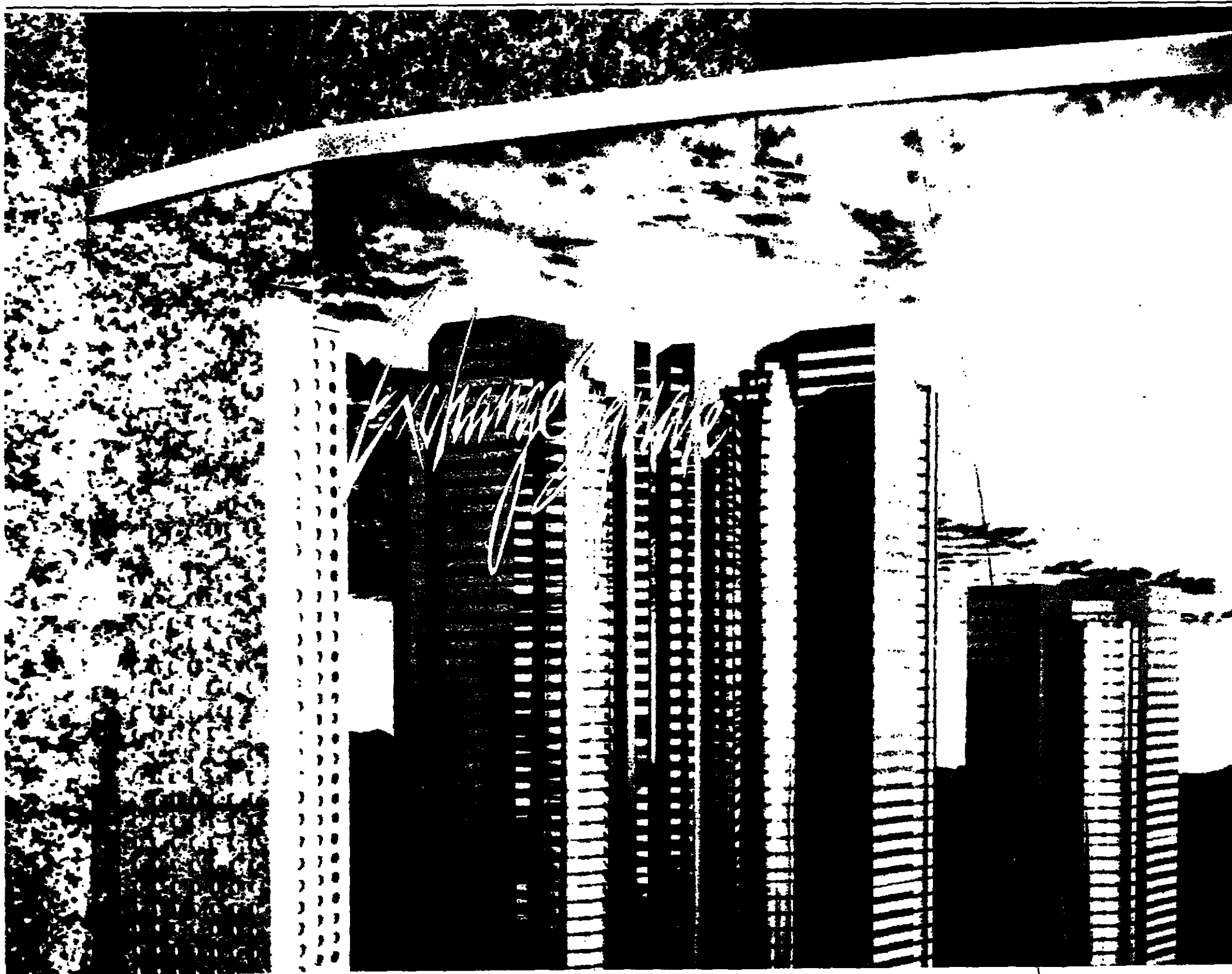
the new territories has been opened up by an interesting new Hong Kong Tourist Association tour, "the land between tour," which concentrates on getting the tourist away from the shopping malls and restaurants for a day. What thousands of tourists are now looking for, however, is something unusual.

Norman Hope, of Audio Tours and Travel, will arrange a complete Chinese festival for the inquisitive tour group. But if you want a more unusual holiday, then he will arrange a surprise pirate attack. For \$6,000 Mr. Hope's pirates will arrive in the dark and whisk away the female tourists. If that is not your liking then you can come and see the dragon boat races, visit an experimental farm or take wind-

surfing lessons on Cheung Chau and Lantau islands.

But perhaps the most spectacular addition to Hong Kong's tourist industry for 1984 is the recently renovated Ocean Park pleasure center. A \$60-million renovation has turned the park into a high-tech adventure-land for young and old alike. The Ocean Theater, Wave Cove, Atoll Reef and the Dragon roller coaster will test the nerve of any thrill seeker. The new look of the park is designed to appeal to the young and active who want both healthy entertainment and variety. For those who just want to take life easy, there are the numerous restaurants that crowd the streets of Hong Kong.

— IAN FINDLAY



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## A SPECIAL REPORT ON HONG KONG

## Electronics Industry Booming; Growth Expected to Continue

By David Boothroyd

ELECTRONICS is in many ways an ideal industry for Hong Kong: young, fast-moving and with enormous growth potential. Many electronic products can be made in small to medium-sized factories, a factor crucial in Hong Kong, where space can be more valuable than gold.

These are some reasons that electronics is the territory's fastest-growing industry, set to take over from textiles as its largest within a few years. The small size of many electronics companies also explains why they concentrate on the relatively simple jobs of assembling consumer electronic products and manufacturing of basic components.

Hong Kong is by far the world's largest producer of electronic watches. Portable radios, telephones, cassette players and computers are also made in huge numbers. Nobody can dispute the industry's success — last year exports of electronic products rose 39 percent to more than \$3 billion. Exports of telephones grew a whopping 537 percent last year, and those of computers 433 percent.

Hong Kong's manufacturers are renowned for their flexibility — changing from one product line to another in a matter of days — as well as their speed of delivery and their prices. What they are not known for is originality, innovation or research and development.

This lack is one reason some industrialists have been worried that the boom days could be short-lived. They point to Taiwan and South Korea, Hong Kong's two major competitors in electronics, both of which have industries heavily supported by their governments.

Taiwan's Electronic Research and Service Organization does fundamental research, manufactures critical parts such as silicon chips, and develops product prototypes for private industry to manufacture in volume.

Major Korean electronics companies such as Gold Star and Samsung are huge corporations with large research departments. The Seoul government also works closely with the country's major private firms.

So far, the lack of R&D in Hong Kong has made little difference. The territory's smaller companies are every bit as inventive in creating new cosmetic designs for their products as the South Koreans and the Taiwanese, and are fiercely price competitive.

Some point to the Asian electronics giant, Japan, as the example to follow. Japan planned the development of its electronics industry almost like a military campaign, with overall control coming from the government. But Hong Kong's electronics industry is unlikely to follow suit. A recent proposal that all exports should carry a small levy (0.03 percent) to raise funds for the establishment of an electronic technology development laboratory was rejected by the government.

One of the territory's leading figures, Bill Wylie, managing director of BSR, praised the decision.

"R&D, if it is to be successful, must be highly directional and any attempt to produce generalized R&D would be wasteful of resources and unfair for those companies who successfully plan, develop and fund their own market-driven research and engineering projects," he said.

Despite his rejection of the levy, Mr. Wylie said the government could do more to help the industry, by encouraging makers of high-quality components to come to Hong Kong. Irregular supply of parts, especially integrated circuits, is the most frequent complaint of the territory's manufacturers.

A new report on the industry from the stockbrokerage Vickers da Costa selected BSR as the company with the best mid-term prospects of all electronic companies. But the report is cautious about long-term predictions, mainly because of Hong Kong's weakness in R&D, marketing, distribution and after-sale service.

"Because of deficiencies in these areas, and despite their strength in production, Hong Kong electronic companies are very vulnerable to changes both in technology and in consumer demand. The industry thus has one of the highest rates of company failures," says the report.

Several companies have suffered in the last year, not least Conic Investment, which had to write off more than \$27 million owed to it by companies controlled by its former chairman, Alex Au. An overextended management failed to cope with the consumer electronics boom of this year, Vickers da Costa claimed.

Conic, a maker of televisions, clock radios, watches and other consumer electronic products, is now controlled by a joint venture from China. While its problems this year have been exceptional, another major Hong Kong electronic company, Wong's Industrial, has suffered from a more conventional

problem — the volatility of the market.

Video games formed a major part of its sales, and that market has collapsed in the last year. Wong's had a close tie — now severed — with the U.S. company Atari, which was also hurt badly when the bottom fell out of video game sales.

Volatility is something Hong Kong and its people know well — this has been one of the territory's major characteristics during the last two years, while the 1997 agreement was being negotiated. The stock market has soared and slumped, and predictions about the future of the electronics industry have been similarly variable.

A recent report produced for the government claimed that, although companies were efficient and flexible, they did not have the necessary resources "to perceive market needs and execute product development themselves."

Vickers da Costa's report concluded: "The industry today is at a crossroads, with one fork leading to a dead end." While short-term prospects were bright, it said, in the long term the industry could find itself in a cul-de-sac of a relatively limited product range offering poor profits.

Mr. Wylie also predicted a gloomy future if Hong Kong companies merely copied products developed in the West and then tried to market them under their own brand names.

"One has only to look at the... advertising budgets set up by companies such as Apple and IBM to advertise their personal computers and launch new models to see why this is so," he said.

Apart from a lack of original development, the other factor of great significance to Hong Kong electronics, as to so much else in the territory, is China. The cheapness of Chinese labor is persuading manufacturers in Hong Kong to assemble goods over the border, then test them and ship them from Hong Kong. Most production work is simple assembly, so China's huge pool of cheap labor, only 50 miles or so away, is likely to capture a considerable amount of the manufacturing work from Hong Kong over the next decade.

But at the same time, as the Chinese market develops, Hong Kong will be of increasing importance as a gateway to the largest potential market of all. Its electronic industry may not make as many products, but it may do equally well supplying sophisticated services such as testing and quality control.

## Urban Council Inspires a Renewal of Hong Kong Arts Scene

By Ian Findlay

THE NOTION that Hong Kong is a cultural desert is gradually being erased. Though many people in the British colony, both Chinese and expatriate, still cling to this view, there has been a small "cultural revolution" going on during the last few years, and now in theater, cinema, dance, music and the visual arts there are productions as exciting as any in the region.

Much of the credit for this renaissance goes to the local government's Urban Council for some of its innovative policies. The council first sponsored the Hong Kong Arts Festival in 1973. It followed with sponsorship of the Festival of Asian Arts in 1976 and the Hong Kong International Film Festival in 1977.

This international approach to culture in Hong Kong has not overshadowed what goes on locally throughout the year. The council has formed theater companies, dance and ballet groups and a Chinese orchestra, and built a new cultural complex in Kowloon.

It is not only the Urban Council that has developed a serious attitude toward sponsorship of the arts. The Hong Kong government has also invested heavily in the arts in the last decade, particularly in theater, ballet and music. The council and government's combined budgets for the arts total almost \$25 million.

"I think that the government has done a lot for the growth of the arts, but for very specific reasons," said Benny Chia, manager of the Hong Kong Fringe Club. "Their interest stems from the riots of 1967 and after. The government felt that young people should have something to do."

The Fringe Club and many small independent theater groups and dance companies have allowed the Chinese, who make up 98 percent of the population, to explore their artistic and cultural roots. But the people at the forefront of the renaissance are for the most part those who have studied abroad and returned with a broader cultural perspective. For instance, Ann Hui, director of the highly acclaimed and award-winning film "Boat People," studied

cinema in Britain, and the artist Josh Hon studied in the United States.

The visual arts in Hong Kong are the poor relation to other art forms. There is no college of art and no permanent art museum where Hong Kong's valuable public and private collections can be shown. Those who work in the visual arts, unless invited by bodies such as the art center or private groups, have to pay large sums of money to exhibit their work. Those who can escape the traditional teaching methods of the two Hong Kong universities do so, but few return to help local artists reach an international audience.

Dance, like the visual arts, has a small but appreciative audience. The Hong Kong Ballet Company and modern dance companies are faced with serious problems in recruiting. There is little available for training, a lack of knowledge of modern and classical techniques, and a shortage of good choreographers who could add style to local productions.

The strongest art forms in Hong Kong are the cinema — by far the most prolific and popular — and the theater. It is within these formats that Hong Kong people have most successfully explored their roots and cultural identity.

Anna Hui and Allen Fong are the two most outstanding new directors in Hong Kong cinema. They have dared to go against the purely commercial instincts of Hong Kong's film studios. That they have succeeded with such work as "Boat People" and "Ah Ying" surprised many people in the film industry. As yet, however, there is little in Hong Kong cinema that goes to the root of people's fears and anxieties about the future and the colony's relationship with China. Government officials would not allow political criticism of China; the government sees to it that its relationship with China in kept in balance by banning Taiwanese films that show China in a bad light.

Of the 40 or so theater companies in Hong Kong, the professional Chung Ying company and the Hong Kong Repertory Theatre are the most polished. The many amateur companies and experimental groups, such as the Seals Theater Company, Mask Theater and Zuni Icosahedron

offer a wide variety of theatrical experience and innovation.

While many groups give performances of the classics, from Ibsen to Shakespeare, the Chung Ying Theater Company is trying to reach the community more directly. Bernard Goss, artistic director of the company, said he felt that the challenges in Hong Kong theater far outweighed the problems. "I want to develop Hong Kong talent," he said. "I want to develop a company that goes into the community and gives quality."

Mr. Goss said he wanted fewer visiting actors and directors from abroad. There is, as he says, a lot of talent in Hong Kong waiting to be encouraged. He is developing workshops that will give young Chinese a change to show their ability. He also hopes to have the company completely bilingual by the time his contract runs out in two years.

The problems in developing a strong cultural base in Hong Kong have been immense. There is little attention to developing the arts through education. There is more than enough money through government and private sponsorship to develop a more culturally sophisticated public. But there are problems here as well. "There is a tendency with the Urban Council to choose people who don't know and don't have experience in the arts," said a local critic who declined to be named. If quality is to improve, the critic said, the Urban Council "has to get a lot more professional about the business."

The Hong Kong Arts Festival has perhaps done more to bring a broad range of high-quality artistic performances to the territory than any other event. Critics feel, however, that the territory is now inundated with festivals and that the arts administrators have tended to go for quantity, rather than quality.

"The arts festival is not designed to bring tourists to Hong Kong. It is designed for the people of Hong Kong," said Keith Statham, director of the festival. Mr. Statham said he would like to see more emphasis placed on developing local talent rather than importing foreigners to fill the gaps.

## As East Meets West, Designers Attain World Status

By Winsome Lane

THE POSITION of Hong Kong at the crossroads of Eastern and Western cultures, where the flow of world trade streams toward the open doors of China make it particularly exciting as a center of divergent influences on the fashion scene.

The young designers of Hong Kong, who are making their mark in the world with innovative designs based on Chinese traditional clothes, are now selling more to the outside world with boutiques in such stores as Saks Fifth Avenue and Bergdorf Goodman of New York and Harrods of London.

But Hong Kong is also the place where the top couturiers of Paris, the United States and Italy sell their clothes at lower prices than in their own country.

Dior, Hermès, Gucci, Lanvin and Chanel all have one or more boutiques here where their prêt-à-porter numbers are snapped up by the rich Chinese residents as well as

discerning shoppers from all over the world.

Hong Kong women are avid collectors of jewelry, and the jewelry

mink for its Hong Kong boutique, and sold it within a few weeks.

"This is the best place in the world to buy fur coats," said a

*"The top couturiers of Paris, the United States and Italy sell their clothes in Hong Kong at lower prices than in their own country."*

of Cartier, Van Cleef and Arpels and Buccellati sells better here than in many other capital cities.

Brenda Chau, an attorney who married into a rich banking family and who is internationally known for her two Rolls-Royces, one gold-plated, the other in shocking pink, has, in addition to a shocking-pink floor-length mink to match the Rolls, a ball gown entirely encrusted with precious stones.

A boutique in Hong Kong is now almost a necessity for the world's top designers, and despite some misgiving over Hong Kong's future the market for fine clothes, handbags that sell at prices beginning in the \$1,000 range and (fabulous jewelry is still brisk here.

Last year, Dior brought a \$200,000 lynx coat as a sales gim-

While he was in Hong Kong, a \$6-million sapphire and diamond necklace was sold together with a number of other choice pieces.

"There are still many very rich people living in Hong Kong, but now with the knowledge that China will be taking over in 1997 many of them are contemplating living elsewhere," he said. "Because of this they are buying more jewelry, which they view as an investment. We know it is always worthwhile to bring such a collection of jewelry to Hong Kong. We also know that many people come to Hong Kong from other parts of Asia to buy luxury goods, partly because they are tax-free here and partly because this is a sort of shop window for Asia — they know the world's top luxury goods can be found here."

The cheapest mink coats in the world can be bought here, from mink bred in China. But several top breeders said that China has been in such a hurry to expand its mink industry that quality has been sacrificed.

Eric Nussbaum, custodian of

During the first week in November, Dominique Arpels, jewelry designer and member of the Arpels family, partners in Van Cleef and Arpels, brought another jewelry display here. It included the largest emerald in the world and like the Cartier exhibition, it was shown to a few selected clients and kept under armed guard and heavy security in Hong Kong's exclusive Peninsula hotel.

Neither exhibition was given any advance publicity — former clients and a few carefully selected people were notified in advance.

While Dior has recently opened a second boutique here and other top French designers are planning second and third boutiques, the recently retired international director of Dior, M. Jacques Roux, said: "Hong Kong is unique as a market place for the world, and although other industries are slumping here the luxury clothes and jewelry businesses continue to boom."

"Hong Kong is still a place where people will pay the earth for a status symbol."

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Meanwhile, many Hong Kong consumers wanted an alternative to traditional family stores and street-markets. Hutchison's A.S. Watson Division was positioned to accommodate. The Park'n Shop supermarket chain is now the largest in Hong Kong. Watson's retail chain (chemist and personal products) is also the largest of its kind with 30 outlets.

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## Treaty Concerns: Nationality, Defense

(Continued From Previous Page)

once the British garrison is withdrawn from Hong Kong in 1997.

The draft accord is also silent on the future of the Chung Hong Kok communications center, which houses British intelligence-gathering operations linked with General Communications Headquarters in Cheltenham in Britain. What is clear is that Beijing will not let the British spy operations continue on their present scale. One suggestion that has been made is that the

eavesdropping center could be moved inside the future British consulate-general once Hong Kong becomes an SAR, as are operations conducted by other nations from their local consulates. A second suggestion is that Britain request extraterritorial protection for Chung Hong Kok as part of the consulate.

A third murky topic referred to but not illuminated in the draft is the Basic Law for Hong Kong to be drafted separately by the Chinese for application by the SAR government after 1997. Although the agreement does guarantee that it will also be stipulated in the basic law, it is still unclear whether Hong Kong people will be allowed any say in the Basic Law's drafting. Apparently, such a possibility was not even addressed during the negotiations, but it has, predictably, become a major concern to the local community.

Selina Chow, a member of the Legislative Council, summed up her concern in a debate on the draft

agreement in the council Oct. 16: "I am puzzled by Section II of Annex I, which states that Hong Kong laws shall be maintained save those that contravene the Basic Law. It further states that laws enacted by the legislature, which are in accordance with the Basic Law, shall be regarded as valid. Since the Basic Law is not yet drafted, we do not know as yet which of the Hong Kong laws might contravene the Basic Law."

"Although assurance is given under the joint declaration that basic policies outlined in the agreement will be stipulated in the Basic Law, Section II of Annex I, which is also part of the agreement, could be taken as an escape clause... It is, therefore, essential that there should be Hong Kong input in the drafting, a free hand for Hong Kong in its implementation and independence in its interpretation."

There is similar confusion over whether Hong Kong residents now holding nominal positions in Chinese political organizations are free under the new agreement to hold elected office in Hong Kong after 1997.

While the current government of Hong Kong has drafted a green paper proposing methods of extending indirect and direct elections to public office in the territory, the draft agreement with Beijing makes no guarantee that the system in 1997 will be preserved by the Chinese when they take over. It says only that the chief executive of the SAR will be appointed by Beijing on the basis of election results or local consultations. Hong Kong residents may well find that, after introducing direct elections to the Legislative Council (an option to be reviewed by 1988, according to a government green paper outlining proposals for wider representation of government), they lose direct franchise only a decade later under Communist rule.

Businessmen are also concerned about an obvious consequence of the land annex, which stipulates that from now on the Hong Kong government must split revenues from the sales of Crown leases with the future SAR government. The SAR's share will be held in a local bank account for its use after 1997. Since the government receives a substantial share of its income from lease sales, businessmen fear that tax increases to make up for the shortfall are inevitable. An American businessman said privately, "Significant tax increases for Hong Kong would be disastrous, since its low and equitable rate of taxation is a major attraction for investment."

— DINAH LEE

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EUROBONDS

Thoughts of Lower Rates Stimulate Trading Activity

By CARL GEWIRTZ  
International Herald Tribune

PARIS — Tuesday's presidential election in the United States normally would be cause for a pause in the international sales and purchases of dollar securities. But whatever uncertainty there may be about the outcome of the election was overshadowed last week by fevered speculation that dollar interest rates, and possibly the dollar itself, are headed lower.

The view about lower rates was reinforced by the unexpectedly large decline in the U.S. money supply reported late Thursday and continued indications (a 1.8-percent drop in September factory orders) that a slowdown in economic activity will give the Federal Reserve room to ease credit further at its policy setting meeting on Wednesday.

The prospect of declining interest rates sent the dollar skidding on the foreign exchange market. On the face of it, the two trends should be counterproductive for the Eurobond market. The prospect of lower rates should make buying fixed-coupon dollar securities attractive, but the decline in the value of the dollar should cause foreign investors to shun buying dollar securities.

But thanks to the way the new issues have been constructed to appeal to speculators willing to bet on lower interest rates and a falling dollar, the two trends had a powerful impact of stimulating the dollar bond market.

The key speculative tool is the sale of warrants, or options, to buy fixed-coupon dollar bonds. A current outlay of only \$50 or so gives the warrant holder a right to buy anytime over the coming three, five, seven or 10 years (each issue is structured differently) a \$1,000 security.

The low cash outlay means a minimum immediate exposure to the exchange rate (with the full cost of buying the underlying security to be done when the dollar is cheaper) and a maximum exposure to high-yielding paper.

In the bond-market jargon, this is called leverage. And of late, even more leverage has been added by setting delayed payment dates — meaning many issues sold last week need not be paid for until next year.

OF the 14 fixed-income dollar issues launched last week, all but one were leveraged. Nine issues (Bank of Tokyo, Credit Suisse, Denmark, Den Norske Creditbank, National Investment Bank of the Netherlands, Nomura, Privatbanken, Royal Bank of Canada and Wells Fargo) totaling \$975 million carried warrants, all with delayed payments. Den Norske is a partially paid issue, with 204 percent of the purchase price paid now and the remainder next May.

The warrants clearly generated the most excitement in the market — as well as a considerable amount of cynicism. The biggest speculators taking the warrants, most participants agree, are the banks and trading houses themselves. "It's the big boys playing with themselves," is the way one trader describes it.

For Stanislas Yassukovich, the chairman of European Banking Co. who was one of the key players in developing the Eurobond market, the current speculative structure of the market is merely a reflection of the substantial change in the U.S. debt market due to the development of new financial instruments and new methods of hedging.

Expounding what he himself labels "an old fashioned view," Mr. Yassukovich notes that the change is largely "the result of big concentrations of capital in the hands of relatively fewer market intermediaries who have a tendency to use that capital for big position trading rather than to really provide ultimate liquidity to investors."

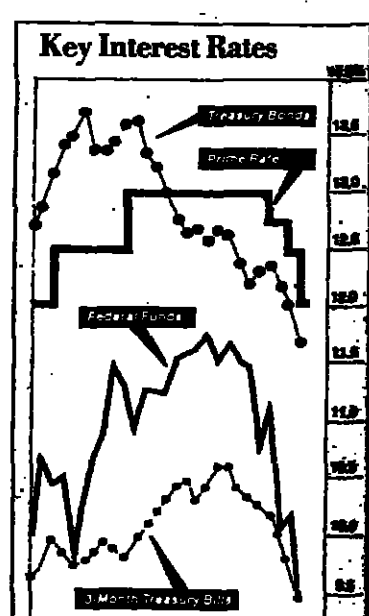
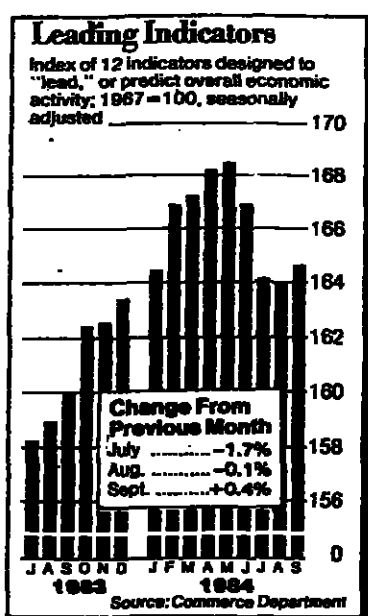
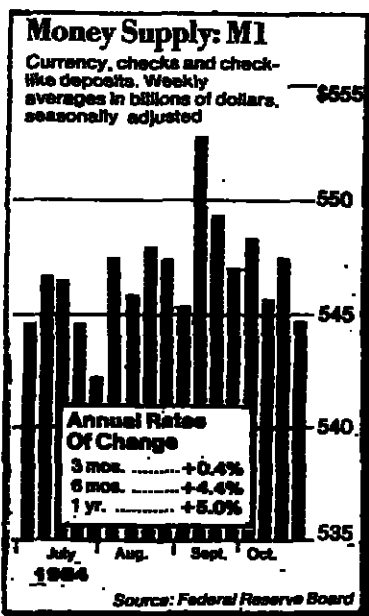
"By and large, it's not a healthy development," he says. "Anything which leads to an imbalance in financial markets between purely professional activity for its own sake and activity reflecting shifts in investor demand is unhealthy."

"You need, always, a significant amount of purely professional activity to provide liquidity for end investors. But it could be argued that the present situation represents... an excessive amount of purely speculative activity," he said.

As for the warrants, many analysts say that current prices are inflated — interest rates would have to drop about 1½ percentage points before the cost of the warrant is amortized by the rise in price of the bond the warrant can buy. And the wild price gyrations — Credit Suisse's warrants were offered at \$36, soared within a few hours to \$58 and shortly later tumbled to \$35 — only fuel the view that warrants are casino chips.

In order to get the warrants at the issue price, banks have to agree to underwrite the accompanying fixed-coupon notes. And it is this paper which is the object of much derision among the professionals themselves. As explained in detail last week, the so-called host issue can be prematurely retired at a 1-percent premium over face value in lock step as the warrants are exercised. Traders say this seriously undercuts the value of these notes.

In effect, the host issue can never trade higher than 101 since the paper could be redeemed at that price at any time. Because of (Continued on Page 15, Col. 1)



Interest rates include prime rate, effective weekly averages for Treasury bonds, 3-month Treasury bills and federal funds rate; all rates in percent.

U.S. Stocks May Miss Post-Election Blues

By Fred R. Bleakley  
New York Times Service

NEW YORK — If history is a guide, the months following Tuesday's presidential election will be anything but a celebration for the stock market. In fact, post-election blues have soured investors on stocks every four years since the election of Lyndon B. Johnson in 1964.

But this year could be different. "The fear of the market going into the tank after the election is overdone," said Charles H. Brunie, chairman of Oppenheimer Capital Corp., which manages \$3.5 billion in equities.

He pointed out that the causes of the market downturns in the first six months of the year following the last five elections were higher interest rates and a slowing of the economy caused by Federal Reserve Board's tightening of the money supply. This time around, private credit demand and the economy have already cooled off on their own.

"If anything, the Fed may try to get things moving again by loosening up on the money supply," Mr. Brunie said. For the last six months, the money supply has grown at an average 2-percent annual rate, in contrast to an average of more than 7 percent for the similar periods prior to the last five presidential elections.

Indeed, despite the indecisive tone to the market of late, there is a growing spirit of optimism that stocks are poised for a longer rally than the market has seen in the choppy trading of the last year and a half. Such a

burst of activity would take the Dow Jones industrial average beyond the 1,287 record level of last November. The Dow closed Friday at 1,216.65, gaining 11.70 points for the week.

The kickoff, however, for the market's next big move up may still be a few weeks, if not a few months, away, market strategists and money managers say. They are not looking for the market to start flying in the next few days if President Ronald Reagan wins the election, for instance.

A big Reagan victory is already expected by the market, said Suresh Bhirdi, market strategist for First Boston Corp. About the only way the market will get a shot in the arm from a Republican victory is if a Reagan landslide is large enough to turn control of the House of Representatives over to the Republicans, he said.

But sooner rather than later, "There is another big surge coming in the market when investors reflect on the Reagan victory and the fact that the economy is O.K.," said Barton Biggs, chief investment strategist for Morgan Stanley & Co., reflecting Wall Street's assumption of a Reagan victory. He expects the Dow to be in a range of 1,400 to 1,500 by next spring.

Mr. Bhirdi added that "the psychology of the market will shift when it realizes that the economic recovery is sustainable in 1985." The market could get "an extra kicker," he said, from a further decline in oil prices and a stronger export climate because of a topping-out of the dollar's strength.

"Things are beginning to fall in place," said Thomas Williams, senior vice president of Kemper Financial Services. Most important, he said, the decline in interest rates in the last month makes stocks more attractive investments compared with fixed-income securities. And it could spur more consumer and business spending, thus pumping new life into the flagging economy, analysts say.

Further, Mr. Williams sees the possibility after the election of a cut by the Fed in the discount rate for the funds it lends to member banks. And he expects further downward pressure on rates coming from pension funds, which will move to lock up current rates on long-term bonds before they fall further.

How long will a market rally last? Richard Hoffman, a market strategist who advises institutions out of his own firm, R.J. Hoffman & Co., believes the gains will "be short but sweet." By next April or May, he expects investors to turn bearish because the economy will have become overheated and little will have been done to curb the federal deficit.

There is still a tug-of-war between investors who fear the slowdown in the growth of the economy will lead to a recession and those who believe the more modest growth rate can be sustained well into 1985.

Andrew Furtak, portfolio manager in charge of the \$1.4-billion IDS Stock Fund, for instance, is "staying loose," as he puts it, by setting aside a relatively high 18 percent of (Continued on Page 15, Col. 4)

France to Sell Plutonium as Fuel for Utilities

By Paul Lewis  
New York Times Service

PARIS — France plans to sell electric-utility companies a nuclear-reactor fuel containing plutonium, which is used as an explosive in most modern nuclear weapons.

The purpose, the French say, is to dispose of the excess plutonium that will accumulate in coming years as spent fuel from France's many power-generating reactors is reprocessed.

However, commercial development of the new fuel would run counter to U.S. efforts to restrict international trade in plutonium to stop the spread of the technology to make nuclear weapons. The United States considered developing the fuel in the mid-1970s, but abandoned the project amid wide public concern over plutonium proliferation.

The new mixed-oxide fuel, known as Mox, combines plutonium with lightly enriched uranium. It is to fission in light-water reactors, which currently use only uranium as a fuel and which account for most of the world's nuclear electrical production.

The formal decision to go ahead with the program has not yet been made. But senior French officials say that Electricité de France, or EDF, the French state generating authority, will order commercial quantities of the fuel within the next six months. So far, Mox has been used only experimentally.

"We expect to start burning plutonium in our light-water reactors — the new fuel will be made," François de Wissocq, head of Cogema, the state-owned French nuclear supply company that is to make the fuel, said during a recent visit to the company's uranium-enrichment facilities.

Development of the Mox fuels will raise particular complications for the United States. Under the Nuclear Non-Proliferation Act, passed during the Carter administration, the United States must approve any use of plutonium derived from uranium fuels enriched in U.S. plants. Currently, about two-thirds of all enriched uranium reactor fuel used outside the Soviet-

bloc countries comes from U.S. enrichment plants.

However, Mr. de Wissocq said, France would also be limited as to where it could sell Mox fuel by its undertaking never to supply dangerous nuclear materials to countries that have not signed the non-proliferation treaty and placed their nuclear establishments under international safeguards to insure that they are not used for military ends. This means that South Africa, which has two French-built light-water reactors and has bought much of its fuel from France in the past, would not be eligible to buy the new fuel.

French officials say several other countries that have light-water reactors and that have signed the non-proliferation treaty, including Belgium, West Germany and Japan, are already interested in using Mox fuel, which is expected to be cheaper than current enriched uranium fuel.

Originally, France and other countries with light-water reactors had hoped to use the plutonium acquired by reprocessing their spent fuel in a new generation of fast breeder reactors due to enter service in the 1990s. However, interest in fast breeders is flagging because of the worldwide energy glut and plans to introduce them are being delayed.

France, determined to reduce its dependence on imported oil and to acquire a world lead in nuclear technology, rushed into building nuclear power stations during the 1970s, ordering five or six new reactors a year.

After an initial freeze on new reactor construction, the government of President François Mitterrand slightly reduced the pace, ordering four new plants in 1981, then slowing this to three in 1982 and two each this year and last.

But last month, the government ordered a sharp slowdown in the reactor-building program, saying it may only order one new nuclear power plant next year and in 1986.

France fears that it may face an expensive nuclear power surplus in the 1990s unless it can boost electricity use inside the country and increase exports.

China to End Monopoly Of CAAC in Aviation

Reuters

BEIJING — The Civil Aviation Administration of China will be split into three competing companies based in Beijing, Shanghai and Guangzhou next year, according to the CAAC's director, Shen Tu.

Air China, based in Beijing, will be the main international airline. But Shanghai's China Eastern Air-

ways and China Southern Airways based at Guangzhou will eventually become full international carriers.

Mr. Shen told a CAAC meeting that the reorganization will also lead to the formation of two new airlines, China Southwestern Airways, based in Chengdu, and China Capital Helicopter Co. in addition to several smaller regional airlines. Xinhua, the Chinese news agency, reported Saturday.

Foreign sources for the airline industry said there had been growing pressure from a breakup of the CAAC. The reorganization follows a period of unprecedented competition from new provincial airlines for the group, which runs the state airline.

The central CAAC authority will be responsible for civil aviation and safety rules, long-term planning, route negotiations with other countries and supervision of foreign airlines in China. But the new airline companies will be allowed to negotiate and conclude contracts with domestic or foreign companies for buying and leasing planes, Mr. Shen said.

Bombay Exchange Is to Reopen Monday

Reuters

NEW DELHI — The Bombay stock exchange, closed for three days last week after the assassination of Prime Minister Indira Gandhi of India, will reopen on Monday, the Press Trust of India reported.

The exchange's governing board earlier had decided to keep the market closed on Monday and Tuesday, but changed its mind after talking with the government, the news agency said Saturday.

Bonn Finalizes Plans to Reduce Industrial Holdings

By Warren Getler  
International Herald Tribune

BONN — Finance Minister Gerhard Stoltenberg has finalized plans to substantially reduce the West German government's industrial holdings through sales expected to raise up to 2 billion Deutsche marks (\$689.7 million), a government official said Saturday.

He said that the plans, to be discussed at a Nov. 13 cabinet meeting, include the reduction of the government's 79.9-percent stake in Lufthansa AG to 55 percent, and of Bonn's 20-percent stake in Volkswagen AG to 14 percent next year.

Some shares in six other industrial holdings, including VIAG, an

electrical and gas utility; DIAG, a machinery group; and two small state-owned banks are also slated to be sold to the public by 1987.

Bonn has given assurances to Lufthansa that measures will be taken before next year's sale to maintain the airline's status as a national carrier, the government official said.

The sale of some of the government's stake in VW, which had not been expected, will be achieved indirectly by the government's refusal to participate in a planned capital increase at VW. The regional government of Lower Saxony is expected to maintain its current 20-percent holding in the automaker.

Bonn's planned reduction of its industrial ownership has both ideological and financial underpinnings. Much like the policy of Prime Minister Margaret Thatcher of Britain to diminish the state's industrial holdings, the administration of Chancellor Helmut Kohl hopes to bring more efficiency to the West German economy by returning to the private sector significant chunks of its 950-odd industrial holdings of 25 percent or more. At present, 170 of these 950 holdings are majority stakes.

Between 1970 and 1982, Bonn has injected 4.2 billion DM into those companies to meet their capital needs and to cover losses, the Bonn official said. He noted that a declining return on the govern-

ment's investment in the private sector justified a careful rethinking of the government's current presence there.

West Germany's center-right coalition government also is banking on the capital gain from the sale of its industrial holdings to aid its efforts in bringing the federal budget deficit — expected to be 30 billion DM for 1984 — further under control, the government official said. He said that as much as 1.5 billion DM from the sale could flow directly into the budget between 1985 and 1987.

Bonn directly holds 74.3 percent stake in Lufthansa, but when the holdings of other state-owned institutions are included, the government's holding rises to 79.9 percent.

Lufthansa shares closed down 1.5 DM at 173.5 DM on Friday on the Frankfurt Stock Exchange.

Currency Rates

Latest interbank rates on Nov. 2, excluding fees.

Official figures for Amsterdam, Brussels, Milan, Paris, New York rates of 4 P.M. EDT

	S	D.M.	F.F.	£	Yen	Sw.	Sc.	Nor.	Den.	Fin.	Ital.	Port.	Gr.	Spain	Yug.	Czech	Pol.	USSR	East
Amsterdam	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Brussels	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
London	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Paris	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
New York	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Frankfurt	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Geneva	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Zurich	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Stockholm	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Copenhagen	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Oslo	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Denmark	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Finland	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Italy	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Portugal	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Greece	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Spain	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Yugoslavia	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Czech Republic	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
Poland	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
USSR	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23
East Germany	1.2795	4.168	112.83	26.75	171.45	134.40	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23	132.23

SEE PAGE 818  
TELERATE

# SPAIN'S SHARE OF THE ACTION.

TELEFONICA (The National Telephone Company of Spain) offers you a capital issue of Ptas. 32,042 million (U.S.\$ 188 million), 70% of par value, until 11th November 1984.

TELEFONICA — Spain's leading enterprise in technology and resources — is 47% owned by the Spanish Public Sector, the 53% balance being divided among more than 700,000 private shareholders.

In 1984 the Spanish stock market has out-performed all other world markets, with a resultant spectacular increase in foreign investment. Foreign purchases of TELEFONICA shares rose to Ptas. 2 billion in the first seven months of this year.

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Prices may vary according to market conditions and other factors.

(Continued from Page 6)				FINLAND				LUXEMBOURG			
dm 100	Queensland Alumina	8: 25 Nov	MI	7.43	7.43	8.42		dm 100	Arbed Finance	64: 27 Jun	NV: 6.28
adm 30	Purpl Inds Indus Bsm	6: 27 Apr	96%	6.97	7.25	4.58		dm 30	Arbed Finance	9: 27 Jun	100: 1.96
AUSTRIA				dm 156	Finland	54: 30 Feb	WP: 6.15				
				dm 100	Finland	10: 30 Nov	100: 7.31				
				dm 150	Finland	5: 30 Dec	100: 6.94				
				dm 100	Finland	7: 27 Apr	100: 6.97	6.96	7.84		
								MEXICO			

[illegible]

## For the Week Ending Nov. 2, 1984

[illegible]

Anti Security	% Mail	MSL Price	—Conv. Period—	—Conv. Price B/P—	Conv. Price B/P Prm. 5%	Anti Security	% Mail	MSL Price	—Conv. Period—	—Conv. Price B/P—	Conv. Price B/P Prm. 5%
						\$40. American Express 11/12 4.11 Nov	121	15 Nov 71	medium	6.50	4.11

Mutual Funds			Mutual Funds			Mutual Funds			Mutual Funds			Mutual Funds			
	Bid	Ask		Bid	Ask		Bid	Ask		Bid	Ask		Bid	Ask	
Dreyfus	12.34	13.49	Growth	11.32	12.27	Leachman	28.55	NL	Newell G1	34.78	NL	Roscoe	7.08	NL	
Interfund	12.22	NL	N.Y. Tax	6.46	10.05	Lohrman	14.70	NL	Newell Inc	8.25	NL	SPT ETC	6.24	10.59	
Leverage	17.58	19.21	Options	6.21	6.78	Luttrell	17.75	NL	Wichitans	Group		Securities	Secur		
N.Y. Tax	9.72	NL	U.S. Inc.	1.77	6.65	Luttrell	7.36	NL	Michael	25.69		Equity	9.21	NL	
GMF Corp	12.94	NL	U.S. Inc.	1.96	2.11	Luttrell	7.36	NL	Nichols	11	11.46	NL	Growth	15.08	NL
Goldman	12.94	NL	U.S. Inc.	1.96	2.11	Luttrell	7.36	NL	Nichols	11	11.46	NL	Growth	15.08	NL

Closing Prices Nov. 2, 1981

The following quotations, supplied by the National Association:	BostFfd	13.50
	Bowser	274
	Bruce	106.63
	Bull & Bear Co.	

[illegible]

930	Agg Ab	9-2 '76 Sep	9	1 Feb 82	15 Jun 96	shr 178	shr 276 483	92.89
930	Tova Menko Kanda	7-6 '76 Mar	82	1 Dec 80	21 Mar 96	Y 193	279 880	5.40

[illegible][illegible]



## New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield at offer	Price end week	Terms
<b>FLOATING RATE NOTES</b>							
Commerzbank Overseas Finance	\$150	1989	1%	100	—	99.80	Over 6-month Libor. Minimum coupon 5%. Callable at par in 1985. Fees 0.25%.
Commerzbank Overseas Finance	0.15	1988	—	\$29	—	\$32	Each lot of 5 warrants is exercisable at par into a \$5,000 note of company's noncallable 12% of 1991.
SNCF	\$75	1991	1%	100	—	99.75	Over 6-month Libor. Minimum coupon 5%. Denominations \$100,000.
Sweden	\$500	1999	libid	99.28	—	99.30	Interest pegged to 6-month rate for Eurodollars. Minimum coupon 5.6%. Redeemable at par in 1989 and 1994. Sold by tender. Denominations \$10,000.
<b>FIXED-COUPON</b>							
Bank of Tokyo Holding	\$100	1992	12%	100	12%	99.13	Callable at 101 until 1990 as warrants are exercised.
Bank of Tokyo Holding	0.10	1990	—	\$35	—	\$36	Each warrant is exercisable at par into a \$1,000 note of company's noncallable 12% of 1992.
Chesapeake Power Finance	\$100	1993	12	99%	12.13	98.13	First callable at 101 in 1991.
Crédit Suisse Finance	\$100	1992	11%	100	11%	98.50	Callable at 101 until 1990 and at par thereafter as warrants are exercised. Payable Feb. 13, 1985.
Crédit Suisse Finance	0.10	1992	—	\$36	—	\$35	Each warrant is exercisable at par into a \$1,000 note of company's noncallable 11% of 1992.
Denmark	\$250	1992	12%	100%	12.69	96.38	Callable at 101 until 1989 and at par thereafter as warrants are exercised. Payable Feb. 27, 1985.
Denmark	0.25	1992	—	\$40	—	\$46	Warrants are exercisable at par into company's noncallable 12% of 1992.
Den Norske Creditbank	\$75	1991	12%	100%	12.69	97.88	Callable at 100% in 1989, 200% payable on subscription and balance in May 1985.
Den Norske Creditbank	0.075	1989	—	\$35	—	\$46 1/2	Warrants are exercisable at par into company's noncallable 12% of 1991.
Finland	\$75	1994	12%	99%	12.34	98.50	Noncallable.
IBM Credit	\$100	1989	11	99%	11.20	99	First callable at 101 in 1987.
Kimberly Clark	\$100	1994	12	100	12	98.88	Noncallable.
National Investment Bank Netherlands	\$50	1990	12	100	12	98.63	Callable at 101 until 1986, at 100% in 1987 and at par thereafter as warrants are exercised. Payable Feb. 5, 1985.
National Investment Bank Netherlands	0.05	1988	—	\$39	—	\$45	Warrants are exercisable at par into company's noncallable 12% of 1990.
Nomura (Europe)	\$100	1991	12%	100	12%	98.13	Callable at 101 until 1989 and at par thereafter as warrants are exercised.
Nomura (Europe)	0.10	1991	—	\$42	—	\$42	Warrants are exercisable at par into company's noncallable 12% of 1991.
Privatbanken	\$100	1995	12%	106 1/4	—	103.33	Callable at 101 until 1990 and at par thereafter as warrants are exercised. If at least \$5 million worth of warrant bonds is purchased, Payable Feb. 4, 1985. Also 100,000 warrants exercisable at par into company's noncallable 12% of 1995. Bonds ended the week at 97.63 and warrants at \$37.
Royal Bank Canada	\$100	1992	12%	100	12%	98.75	Callable at 101 as warrants are exercised, and at par in 1989. Payable Jan. 28, 1985.
Royal Bank of Canada	0.15	1989	—	\$31	—	\$48	Warrants are exercisable at par into company's noncallable 12% of 1992.
Royal Bank of Canada	0.050	1987	—	—	—	\$34	Each warrant is exercisable at 105 in a \$1,000 note of U.S. Treasury's 12% of 1989.
South Australia Financing Authority	\$95	1994	zero	32 1/2	11.90	—	Proceeds \$29 million.
Wells Fargo	\$100	1991	12%	100	12%	98.25	Callable at 101 until 1989, and at par thereafter as warrants are exercised.
Wells Fargo	0.10	1989	—	\$45	—	—	Warrants are exercisable at par into company's noncallable 12% of 1991.
Australia	DM 600	1996	7 1/4	99 1/2	7.32	—	Noncallable.
South African Transport Services	DM 100	1992	7 1/4	99 1/2	7.71	—	Noncallable.
TCPL Resources	C\$ 75	1989	12%	100	12%	98.25	Noncallable.
TCPL Resources	0.075	1989	—	C\$38	—	C\$36	Warrants are exercisable at par into company's noncallable 12% of 1994.
NMB Bank	DK 125	1989	7 1/4	99 1/2	7.62	—	Noncallable.
Woolworths New Zealand	NZ\$ 25	1991	16 1/4	100	16 1/4	—	Redeemable at par in 1989.
<b>EQUITY-LINKED</b>							
Hazama Gumi	\$50	1989	9%	100	9%	—	Noncallable. Each \$5,000 note with one warrant exercisable into \$5,000 worth of company's shares at 470 yen per share, a 2.17% premium. Exchange rate set at 247.50 yen per dollar.
Mitsubishi Metal	\$100	1989	open	open	—	—	Coupon indicated at 8%. Each \$5,000 bond with one warrant exercisable into \$5,000 worth of company's shares at an anticipated 25% premium. Terms to be set Nov. 13.
Star Manufacturing	\$50	1999	open	open	—	—	Noncallable coupon indicated at 3 1/2%. Convertible at an anticipated 5% premium. Terms to be set Nov. 8.
Vicom Int'l	\$50	1999	open	100	—	99.50	Coupon indicated at 7 1/4-8%. Callable at 106 in 1990. Convertible at an anticipated 16-20% premium. Terms to be set Nov. 8.

## Rate Optimism Fuels Eurobond Trade

(Continued from Page 13) this, most traders say they refuse to make a market in these notes — meaning trading will be very difficult.

The orphan status of these notes is already evident in that the price they fetch is lower than that of similarly dated paper not subject to premature call.

It is worth noting, therefore, that of last week's issues, only Den Norske's \$75 million of 12% percent notes due in 1991 offered investors protection against premature call. The host issue is not callable for five years (which was standard practice until two weeks ago). Notwithstanding, the paper — offered at 100 1/4 — ended the week at a discount of 2 1/2 points.

But underwriters had no reason to complain as the five-year warrants to buy 12 1/2-percent notes of 1991, offered at \$35 each, ended the week at \$42 bid and \$46 asked. Denmark twice increased its issue to a final amount of \$250 million (payable Feb. 27) and raised the offering price of its warrants from \$40 each (on the initial \$150-million offering) to \$42 1/2. But the 12 1/2-percent notes, priced at 100 1/4, ended the week at 96 1/2 bid, 98 1/2 asked, while the warrants ended at \$46.

Royal Bank of Canada sold \$100 million of 12 1/4-percent notes due in 1992 (payable Jan. 28) and five-year warrants at \$31 each to buy 12 1/4-percent notes of 1992. The warrants soared to \$30 before ending the week at \$35. In the interim, taking advantage of the appetite

for warrants, Royal sold options on \$50 million of U.S. Treasury 12 1/2-percent notes due in 1989.

The Treasury notes are part of part of the bank's own inventory. The warrants can be exercised at a price of 105 (the prevailing quote when the warrants were sold) and were sold at prices from \$32 to \$38 each. The price at the end of the week was \$34.

Privatbanken sought to sweeten the terms of its deal by offering 10-year warrants — the longest the market has seen so far. But its \$100-million of 12 1/4-percent host bonds (senior debt) ended the week at 97 1/4 while the warrants to buy 12 1/4-percent bonds of 1995 were quoted at \$57, a decline of almost 3 points for the package offered at 106 1/4.

Four non-warrant issues were marketed but three, with a face value of \$300 million, provided for delayed payment ranging from early December to mid-January.

The only so-called plain vanilla issue was a \$75-million, 10-year bond for Finland. The coupon was set at 12 1/4 percent and a discount subscription price of 99 1/4 raised the yield to investors to 12.34 percent. Payment for the bonds is Nov. 15.

IBM Credit, which sold \$100 million of five-year notes at 99 1/4 bearing a coupon of 11 percent, is payable on Dec. 3. The issue, sold almost exclusively in Switzerland, was noteworthy in that it demon-

strated that U.S. Treasury paper sold internationally is not the definitive benchmark for the Eurobond market that some analysts had thought it would be. The Treasury's four-year notes sold here earlier in the month carried a coupon of 11 1/4 percent.

In the Canadian dollar sector, Trans Canada Pipeline Resources sold 75 million dollars of 12 1/2-percent notes due in 1989 and warrants — the first for this sector — priced at 38 dollars, to buy 12 1/2-percent bonds due in 1994. The host issue is not callable.

Elsewhere, volume was light with only two new Deutsche mark issues ending the current calendar.

For what bankers call "rate hogs," investors attracted by high coupons, Woolworth of New Zealand offered 25 million dollars of 16 1/4-percent notes due in 1991. Anyone tempted by the high coupon should realize the New Zealand dollar is a candidate for devaluation.

## Swedish Offering Sets a New Low

By Carl Gewirtz  
International Herald Tribune  
PARIS — Sweden set a new low in borrowing costs last week when it sold \$500 million of floating-rate notes on the international capital market.

The offering was underwritten by Morgan Guaranty, which then invited banks to bid for the paper. The high price of the accepted competitive bids was 99.25, the low was 99.28, and the average price was 99.28, or 72 basis points below par, Morgan said.

The notes have a life of 15 years, but investors have the option of redeeming at par after five or 10 years. Taking a worst-case assumption that the entire issue is retired after five years, the cost to Sweden works out to 1 1/4 basis points over the London interbank offered rate, the most widely used measure.

The actual interest rate on the notes is set at the London interbank bid rate, which normally is 1/2 point below Libor. To translate Sweden's cost to a Libor basis, bankers divide the discount offering price of 72 basis points by five years. From the resulting 14 basis points is subtracted the 12 1/2 basis points difference between Libor and Libor, leaving a margin of 1 1/4 basis points over Libor.

If the notes are held outstanding for 10 or 15 years, the cost drops further, but the real cost is obviously slightly higher as undisclosed fees were paid to Morgan's merchant bank-

ing unit for underwriting the deal and to Morgan's commercial bank for handling the bidding.

The roaring growth of the FRN market and the burgeoning Eurobond market amply demonstrate that institutional investors are eager for

## SYNDICATED LOANS

opportunities to place their short-term cash surpluses at terms better than the banks offer for large deposits, Libid.

The success of the Swedish operation demonstrates how thin the difference can be shaved between the return on bank time deposits and marketable securities. The marketability itself is worth something since a penalty fee would be incurred for drawing on a deposit prior to the stated maturity. In addition, institutional investors are obviously also willing to give something in return for the opportunity to diversify their holdings away from banks.

The terms on the FRN give some idea of what Sweden needs to pay to issue Eurobonds. Earlier this year, Sweden arranged a \$3-billion, 10-year line of credit against which it could offer three- or six-month negotiable securities. In theory, such notes have greater value than FRNs because the Eurobonds are redeemable at par at maturity (three or six months) whereas there is only expectation but no guarantee that an FRN could be redeemed at par at the six-month rollover

date when the new coupon level is set.

From a borrower's view, the choice between issuing Eurobonds or FRNs depends on its need for cash. If the object of the exercise is to raise and use a loan, then an FRN is the best tool since the cost of funds and the duration is relatively fixed. By contrast, there is no certainty that six-month Eurobonds could constantly be re-issued at favorable rates for five years.

But Eurobonds appeal to treasurers who need the flexibility of raising varying sums of money for different periods and also to borrowers whose credit standing requires more sophisticated analysis than is likely to be accorded in the FRN market.

Electrolux, for example, is currently organizing a \$75-million, six-year Eurobond facility which lead manager Merrill Lynch says will be used, "but by no means continuously." The Swedish company will offer notes of one-, two-, three- or six-month maturities and Merrill, as usual in its revolving underwriting facilities, will act as sole placing agent.

Banks providing a backup line of credit will earn an annual underwriting fee of 1/16 percent and stand ready, if the notes cannot be placed, to take the paper at a price of 10 basis points over Libor.

Turkey, which was the first major debtor forced to reschedule its debt and the first to emerge on sounder footing, is currently sounding out bankers on terms for a seven-year loan of \$500 million. No doubt, this will be a classic syndicated bank credit but the government and the bankers are reported to be still quite far apart on appropriate terms.

Also haggling over terms is Algeria. Crédit Populaire d'Algérie and Banque d'Algérie de Développement are planning a jointly tap the market for \$300 million and want a large element of 3/4-point over Libor. Japanese banks, a source close to the deal reports, have telegraphed directly to the Algerians a willingness to lend at 1/4 while Mediterranean banks are insisting that such a thin margin for more than two years of the planned eight-year loan would find little support elsewhere.

The newly formed Kuwait-Tunisian Bank, carrying the guarantee of Tunisia, is seeking \$50 million for eight years, paying 1/2-point over Libor for the first five years and 3/4-point thereafter. Front-end fees total 1/4 percent.

In Asia, the Korea Exchange Bank is seeking bids on terms for a loan of around \$200 million.

## Jobs Data Help Depress Price of Treasury Notes

By Michael Quint  
New York Times Service  
NEW YORK — Employment data showing the economy was stronger than expected in October

## U.S. CREDIT MARKETS

contributed to a fall in prices of Treasury notes and bonds.

Traders also attributed much of Friday's drop to a willingness of market participants to lock in profits earned earlier in the week.

Moreover, in advance of this week's auctions of \$17.5 billion of new Treasury notes and bonds, securities dealers and other speculators were not eager to add to their existing holdings, analysts said.

Among outstanding issues, the 12 1/2-percent bonds due in 2014 were offered at about 108 1/2, down nearly 1/4 point, to yield 11.52 percent. The three-year Treasury notes to be auctioned Monday were of-

## U.S. Consumer Rates

For Week Ended Nov. 2

Prime Rate	5.50 %
1 Year T-Bill	10.11 %
3 Month T-Bill	9.82 %
6 Month T-Bill	9.56 %
1 Year Note	14.72 %

ferred on a when-issued basis at 11.08 percent, while the 10-year notes to be sold Wednesday were at 11.61 percent. The 30-year bonds to be sold Thursday were at 11.49 percent.

Prices of Treasury issues fell as much as 1/2 point early Friday, but recovered most of the early losses in late trading. The catalyst for the rebound, which left the Treasury note and bond market with modest losses of about 1/4 to 1/2 point, was a prediction of lower short-term interest rates by Henry Kaufman, chief economist at Salomon Brothers Inc.

In the latest issue of Comments on Credit, Mr. Kaufman forecast that the overnight rate for bank loans could drop to 9 1/2 percent to 9 percent, sometime after next week's meeting of Federal Reserve monetary policy officials. Although Mr. Kaufman's long-term forecast is for rising interest rates through next year, he said weak economic data and a decline in the money supply during October will lead Fed officials to "validate the current interest rate structure" and provide enough Federal funds reserves so that the overnight Federal funds rate would fall from recent levels.

On Friday, the overnight rate averaged more than 10 percent, which contributed to slight increases in rates for other short-term securities.

Economists and market participants were baffled by the October employment data showing a much larger than expected increase in nonfarm payrolls of 421,000 workers. While large increases in the number of people employed usually suggest strong gains in other data such as industrial production and personal income, analysts noted that the new data also showed slight declines in the average hourly workweek — a development that usually suggests sluggish economic growth.

## Analysts See Stock Rally

(Continued from Page 13) his portfolio for short-term cash investments.

"There are just too many cross-currents," he said. "The market is so volatile. It can go 50 to 70 points either way." He believes it will take further cuts in interest rates, so that money-market funds, for instance, will be less appealing, before the retail investor returns to the stock market.

Institutional investors are already fairly heavily invested, said Dudley Eppel, managing director in charge of trading for Donaldson, Lufkin & Jenrette. "If the market gets going, it will have to do so on its own," he said.

More trouble lies ahead before that happens, according to Steven Kroll, chief investment officer of Hutton Asset Management, which manages \$12 billion of mutual funds. "After the election, people are going to realize that corporate earnings estimates will continue to come down," he said. The market, he added, has "discounted the earnings shortfall" that will result from a slight decrease in sales coupled with corporations' inability to raise prices in a noninflationary environment.

Nonetheless, the good news about interest rates outweighs that risk, says Robert Hill, executive vice president of Favia Hill Inc., the money management subsidiary of the Chemical Bank. "We view the current malaise in the market as a lag in appreciation of a decline in interest rates," he said.

"The stage is set for an enormous rally," said Robert Chamie, head trader at Wertheim & Co. "I think the market is going sky-high." With lower interest rates and the expectation for continued low inflation, "there's isn't a negative on the horizon," he said.

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Holders of shares of Global-UK will not be entitled to receive dividends or notice of meetings or be able to vote or otherwise participate in the affairs of Global-US unless and until their bearer shares of Global-UK and the Form of Application to receive registered shares of Global-US, legibly completed, are received by the Exchange Agent named below and the shares of Global-US are registered in the name of such holders. Accordingly holders of bearer shares of Global-UK are strongly urged to write to one of the addresses given below to obtain Forms of Application.

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**Registrar and Transfer Company**  
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Cranford, New Jersey 07016, USA  
or from:  
**Global Natural Resources Inc.**  
5300 Memorial Drive, Suite 900  
Houston, Texas 77007, USA  
or from:  
**Hambros Bank Ltd**  
Attn: Stock Counter, 41 Bishopsgate  
London, England EC2P 2AA

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Sales in	Net	Sales in	Net
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## American Exchange Options

For the Week Ending Nov. 2, 1984

Option & price		Calls		Puts		Option & price		Calls		Puts	
44%	45	1 3/4	r	2	r	Hausflr	25	r	8 1/4	1 1/2	
SI00H	45	49	5	5-16	13-16		33 1/2	30	4 1/4	r	
44%	45	1 1-16	2	2 1/2	3 1/4		33 1/2	25	17-16	2 1/4	
44%	50	16	11-16	r	7 1/4	Hufsch	25	r	8 1/4	1 1/2	
Telcel	28	9 3/4	5				37 1/2	20	2 1/2	5 1/4	

Program			70	4%	4%		NHWill		146	
IndIPat	266	9.9	43	27	26%	1%	NHSTT	1.44	7.9	122
IndHS	1.80	3.3	43	20%	30%	+ 1%	NestB	2.40	5.1	59
InAcus	25	4.2	4	7	6	- 1	NestF un			
IndEI			29%	4%	3%	3%	NestBn s	1.28	4.5	55
IndE			380	3%	3%	+ 1%	NoAlr			131
IndID s			96	7	6%	6%	NHDr			192
IndInf			518	12%	11%	12	NoTrust	2.72	4.3	251
IndSc	28	17								

5	5	-	1/2	StickY18	1.14	1.1	43.13	12%	13	+	+	1-10
20%	20%	-		Sirota			122	5%	4	5%	+	1-10
47	47%	+		StuDS			7215	15	15			1-10
48%	48%	+		StimRi	1.00	4.3	28	23	23			1-24
28%	28%	-		SubS	.05	1.3	4	3%	3%	3%	+	1-31
31%	31%	+	1/2	SubSB			319	8%	8%	8%	+	2-7
83%	83%	+	1/2	SumI8	1.16	8.3	45	14%	14%	14%	+	2-14
63%	63%			SumI8	1.37	6.2	47	7%	7%	7%	+	2-21
							42	7%	7%	7%	+	2-28

8.86	8.78	9.04
8.94	8.88	9.16
9.02	8.94	9.26
9.00	8.98	9.30
9.06	8.98	9.32
9.09	9.01	9.39
9.15	9.09	9.47
9.11	9.05	9.44

The company plans to stockpile tin at Batam island rather than in Singapore before export. Batam, off the northern coast of Indonesia, has been designated a special development economic zone by the Indonesian government.

The island is to become the center of the company's activities, with repairs of ships being carried out there rather than Singapore as at present. But Mr. Sudjatniko gave no date for the switch.

He said the moves were aimed at helping the government develop the island. The company will also build an oxygen plant there for its own needs and for other operations there.











## Marino's Success as Dolphin Is Laid to 'The Shula System'

By Dave Anderson  
New York Times Service

NEW YORK — In the dazzling development of Dan Marino as the Miami Dolphins' quarterback, it's natural to talk about how Coach Don Shula has been lucky to have this husky youngster, who throws a football as easily as if it were a dart and was the last of the six passers selected in the first round of the National Football League's 1983 draft. But instead, Marino might be even more lucky to have Shula coaching him.

Under another coach on another team, it's conceivable that, for all his now-apparent ability, Marino might still be wearing a telephone headset on the sideline, or he might have been rushed into playing before he was ready.

Instead, as the unbeaten Dolphins were awaiting Sunday's game with the New York Jets, the 23-year-old quarterback was thriving as no other second-year quarterback ever has. In his 22 seasons, his teams at Miami and before that at Baltimore have won 222 regular-season games, 2 more than Tom Landry has won with the Dallas Cowboys in 25 seasons.

Shula belongs with all the famous coaches of the past — Vince Lombardi, Paul Brown, George Halas, Bear Bryant, Knute Rockne, Pop Warner, Amos Alonzo Stagg.

"Don Shula can take his'n and beat your'n," But Phillips, the New Orleans Saints' coach, once said in his Texas twang. "Or he can take your'n and beat his'n."

The reason not only for the Dolphins' enduring success, but also for Marino's sudden success, is "The Shula System," as Don Strock, the Dolphin backup quarterback, calls it. To understand the Shula System is to understand the coach's search for perfection in practice.

"We never let an error go unchallenged," Shula says. "Unchallenged errors will multiply."

When someone once asked Shula if perhaps it might be better occasionally to overlook a small flaw in practice, the coach smiled.

"What is a small flaw?" he said. "Whatever it is, Marino will seem to have one. With 27 touchdowns passed this season, he should shatter the NFL record of 36, shared by Y.A. Tittle of the 1963 Giants and George Blanda of the 1961 Oilers, each in 14-game schedules. With 2,672 passing yards, he should surpass the record of 4,802, set by Dan Fouts of the 1981 Chargers in 16 games.

Including the nine games Marino started last season, the Dolphins have a 16-2 record with him as quarterback, not counting the 27-



Dan Marino

20 playoff loss to the Seattle Seahawks, in which he played on a knee that later required arthroscopic surgery.

"Never mind who's lucky to have who," Shula says. "Marino should be recognized for what he's done. I'm not out there when the ball is snapped. No young quarterback has ever done what he's done, being picked to start the Pro Bowl as a rookie before his knee injury kept him out, and now having a year like he's having."

At practice, Shula is never far from this 6-foot-4-inch, 215-pound (193 meters, 97.5 kilograms) quarterback from Pitt.

"We spend a lot of time giving Dan the picture he should have of the opposing defenses, our philosophy of what to do with the ball," the coach says. "Some teams rush three players and defend with eight. Other teams are just the opposite; they cover every receiver and blitz everybody else."

"Dan's got an outgoing, attack-type personality. He's a winner because he's not afraid to do the things you have to do to win. He's like Joe Namath was in that respect, and he's like Dan Fouts is with his quick arm, his knowing what to do, his accuracy."

"From the moment he walked in, everything you saw about him, you liked. He's just a down-to-earth guy from Pittsburgh, blue-collar people, warm people. I've compared this guy to Larry Csonka in personality. He's always around the locker room like Zank was in our Super Bowl years, he just enjoys being around the other players."

When the Dolphins were winning Super Bowls VII and VIII, Shula constructed his offense around Csonka, a 240-pound fullback.

"That's another thing about The Shula System," says Strock, a tackle-squad quarterback as a rookie on the Super Bowl VIII roster. "When he had Zank, he ran the ball 65 percent of the time and passed 35

percent. Now it's just the opposite. But the quarterback in The Shula System is still basically the same — don't make the big mistake with an interception or a fumble, and when the big play is there, take advantage of it."

Most of the touted rookie quarterbacks often join bad or ordinary teams, but Marino joined a team that had gone to Super Bowl XVII with David Woodley at quarterback.

"When Dan arrived, he was surrounded by excellent personnel — a good line, good running backs, good receivers, a good defense," Strock says. "He also had played with a pro-set offense in Pitt, so his only big adjustment was to reading defenses. In college, they show you the defense. In the pros, they disguise it."

At the start of last season, Marino was on the Miami bench while John Elway, the No. 1 draft choice, opened at quarterback for the Denver Broncos.

"Elway was thrown into the fire right away, and he got burned," says Bob Griese, the Dolphin quarterback on those two Super Bowl teams who is now a television analyst.

Dan Reeves, the Bronco coach, eventually acknowledged that starting the 1983 season with Elway at quarterback had been a mistake.

"In contrast, Shula eased Marino into it," Griese said. "He brought him in late against the Raiders and the Saints, then he started him at home in the Orange Bowl on grass, the surface the Dolphins practice on, against the Bills, who had won in Miami in something like 15 years."

Oddly enough, the Dolphins lost that game, 38-35, in overtime but Marino threw for 335 yards and three touchdowns. He was the quarterback to stay.

"Shula is really the Dolphins' offensive coordinator; he gives a quarterback confidence," Griese says.

Griese remembered once having objected to a play-action pass that pulled the opposing linebackers into the area where the primary receiver would be.

"If the quarterback doesn't like a play, Shula won't make you run it," he says. "Dan already is getting to the point where he talks to Shula about plays and personnel. Shula has given Dan more leeway. He lets Dan call the third-down plays, but Shula still calls all the first-down and second-down plays."

In his time, Griese called all the Dolphin plays. Perhaps someday Marino will call all the plays too, as the latest quarterback to develop in The Shula System.



Billy Costello (left) took some punches from Saoul Mamby, but he retained his WBC title.

## Costello Successfully Defends Crown But 2 Other WBC Titles Change Hands

United Press International

KINGSTON, New York — Billy Costello retained his World Boxing Council super lightweight title Saturday with a unanimous 12-round decision over Saoul Mamby, a former champion. Two upsets, meanwhile, produced new WBC champions.

Earlier on the Kingston card, Juan (Kid) Floer of Los Angeles got off the floor in the first round and knocked out Jaime Garza, the previously unbeaten champion, later in the round to win the WBC super bantamweight title.

And in San Juan, Puerto Rico, José Luis Ramirez of Mexico, stormed back after being knocked down in the first and second rounds to stop another previously unbeaten champion, Edwin Rosario of Puerto Rico, in the fourth round to win the WBC lightweight title.

The upsets Saturday followed a midweek Friday night in New York, where Carlos Santos of Puerto Rico won the International Boxing Federation junior middleweight title with a 15-round

unanimous decision over Mark Medel, the defending champion. Costello opened a cut on Mamby's eye midway through the fight and a deep gash in his lip late in the bout.

"He did about what I expected him to do," said Costello, now 29-0 with 17 knockouts. "He doesn't have what he used to have. He never hurt me once. He did a lot of talking before the fight and I didn't like it. I don't know what he thought this was, but it was no picnic for him."

Garza, one of the most devastating punchers in boxing, dropped Meza with a left hook early in the first round. But Meza was up at the count of eight. As Garza moved in to finish him off, Meza responded with a combination.

Garza missed with several wild right hands before walking into a ripping left hook to the chin. He went down flat on his back and his head bounced off the canvas near his corner. He attempted to regain his feet but he fell back to the seat of his pants in his own corner, where he was counted out by referee Johnny LoBianco.

## Oilers Beat Hawks, 4-2, To Remain Undefeated

United Press International

EDMONTON, Alberta — Glenn Anderson scored three times Friday night as the Edmonton Oilers beat the Chicago Black Hawks, 4-2, and remained undefeated this season. The Oilers, with nine vic-

tory and two ties, are three games short of the mark for the fastest start in NHL history.

In other games Friday, New Jersey tied Minnesota, 2-2, Winnipeg tied Detroit, 3-3, and Buffalo routed Hartford, 6-1.

On Saturday, it was Hartford 4, Buffalo 4; Quebec 5, the New York Islanders 4; Washington 6, New Jersey 4; Philadelphia 5, Minnesota 1; Montreal 3, Boston 1; the New York Rangers 7, Pittsburgh 5; Vancouver 6, Chicago 4; St. Louis 5.

NHL FOCUS

Four minutes into the third period, Ken Yaremchuk fired a 25-foot drive past goaltender Grant Fuhr on a two-on-one break for Chicago's first goal.

The goal ended a shutout streak of 124 minutes and 52 seconds, a record for the Oilers, who defeated Vancouver, 7-0, Tuesday night in Edmonton.

Anderson completed his hat

## 76er Coach Cunningham Wins 400th

United Press International

PHILADELPHIA — The Philadelphia 76ers gave their coach, Billy Cunningham, the 400th victory of his seven-year career Friday, by holding off a late rally to defeat the Dallas Mavericks, 107-103.

In other NBA games Friday, Milwaukee beat Washington, 102-96; Boston edged Detroit, 127-116; Indiana defeated Cleveland, 116-109; the Los Angeles Lakers topped San Antonio, 119-100; and Utah overcame Seattle, 107-101.

On Saturday, it was New Jersey 118, Indiana 117; Atlanta 127, Washington 107; Phoenix 105, Dallas 93; Houston 105, New York 93; Denver 128, Kansas City 114; Milwaukee 117, Cleveland 88; Portland 131, the Los Angeles Clippers 112; and Golden State 112, Utah 107.

When informed that he had reached the 400-victory mark more quickly than any other NBA coach, Cunningham said: "It's not really

that important to me," then added: "It's hard to believe I've lasted this long."

Cunningham, 41, became the 76ers coach on Nov. 4, 1977, after retiring as a player just before the start of the 1976-77 season.

His career record stood at 400-172 after Friday's victory.

"I've been very fortunate to stay

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in one city, and over the years I've been involved with some very top-quality people like Julius Erving, Caldwell Jones, Maurice Cheeks, Bobby Jones and many others," he said.

Philadelphia led, 74-54, early in the third quarter, and 86-73 after three periods. But Dallas then outscored the 76ers, 22-11, to close within 77-95 on a 3-point shot by Dale Ellis with 4:30 remaining.

A jump shot by Julius Erving



Glenn Anderson

trick with just over two minutes remaining in the period, cashing in on another of his own rebounds. He has seven goals in the last seven games and nine for the season.

"It's a matter of taking a lot more shots now," he said. "I was always getting the opportunities but the puck is going in now, that's basically the difference."

Four minutes into the third period, Ken Yaremchuk fired a 25-foot drive past goaltender Grant Fuhr on a two-on-one break for Chicago's first goal.

The goal ended a shutout streak of 124 minutes and 52 seconds, a record for the Oilers, who defeated Vancouver, 7-0, Tuesday night in Edmonton.

Anderson completed his hat

NBA FOCUS

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A jump shot by Julius Erving

## U.S. Outclasses Britain To Win Wightman Cup; Evert Continues Streak

The Associated Press

LONDON — The United States has captured the Wightman Cup tennis title for the sixth consecutive time by winning five matches in the annual seven-match series.

On Saturday, Barbara Potter outplayed a nervous Anne Hobbs, 6-1, 6-3, to give the Americans a 3-2 lead. Chris Evert Lloyd then clinched the Cup for the Americans with a 7-6, 6-1 victory over Jo Durie. It was Evert's 24th straight Wightman Cup singles triumph.

In the final doubles match that lasted nearly 2½ hours, Potter and Sharon Walsh outlasted Durie and Hobbs, 7-6, 4-6, 9-7.

It was the 46th time in 56 meetings that the Americans had won the Wightman Cup.

When Durie netted a service return on the last point of her match against Evert, the American team, sitting in a plush box at the Royal Albert Hall, uncorked several bottles of champagne.

Evert, who teamed with Alycia Moulton on Friday and scored a 6-2, 6-2 doubles victory over Virginia Wade and Amanda Brown, said she was surprised that the U.S. had won so easily after the teams were tied 2-2 at the start of Saturday's play.

"I knew what Barbara was capable of, but I still figured that the Cup might come down to the final doubles," she said. "We all know what happened the last time."

Evert was referring to 1978, the last time Britain won the trophy.

When asked if she would continue to play in the Wightman Cup, which alternates each year between London and a U.S. location, Evert replied: "As long as I am enjoying it, staying in good shape and still playing 100 percent, I'd like to continue to play. But if I'm semi-retired I won't carry on, and I'm sure there's going to be a time in the next couple of years when I'll want to settle down and have a family and maybe do other things."

Potter played much better Satur-

day than she did in losing to Durie on Friday. She beat Hobbs with a powerful display of serving and volleying.

The British team manager, Sue Mappin, said: "When we went in at 2-2 after the second day, everyone expected us to win. There was a lot of pressure from the public and media. I was disappointed with Anne. In a way she tried too hard."

Wiltander Stops Connors

Mats Wilander served magnificently to defeat Jimmy Connors, 6-7, 6-3, 6-3, on Sunday and earn a berth in Monday's final of the Stockholm Open tennis tournament. United Press International reported from Stockholm.

Anders Jarryd was meeting the top-seeded John McEnroe in a later match.

Wilander, the third seed, served 12 aces against Connors, seeded second. "I have never seen Wilander serve anything like this," Connors said.

Wilander said: "This was definitely one of my greatest matches ever. I beat Connors in Cincinnati last August, but this was a much better performance."

In Saturday's quarterfinals, Wilander defeated Guy Forget, 7-5, 6-3, 6-4; Jarryd defeated Joakim Nyström, 6-3, 3-6, 6-3; and McEnroe beat Wojtek Fibak, 6-4, 6-2.

Garrison Wins Tournament

Zina Garrison defeated Claudia Kohde, 6-1, 0-6, 6-2, in Sunday's final of the women's European Indoor Tennis Tournament to gain her first Grand Prix victory in her two-year professional career. The Associated Press reported from Zurich.

In Saturday's semifinals, Kohde upset the second-seeded Manuela Maleeva, 6-2, 6-2, 7-5, while Garrison romped to a 6-2, 6-0 triumph over Andrea Temesvári. The top seed, Hana Mandlikova, was upset in the first round by Beth Herr.

## SPORTS BRIEFS

### John Henry Will Miss Breeders' Cup

ARCADIA, California (AP) — John Henry, the richest thoroughbred in horse racing, will miss next Saturday's Breeders' Cup and will not race again this year because of a persistent leg injury, his trainer said Saturday.

The 9-year-old gelding, who has record earnings close to \$6.6 million, suffered a ligament injury in his left foreleg, according to Ron McAnally, who trains John Henry for Sam and Dorothy Rubin of New York. McAnally said Saturday that the injury was not serious but that its persistence indicated that the horse needed some time off.

John Henry, Horse of the Year in 1981, had expected to be the biggest attraction of the Breeders' Cup, and would have been a heavy favorite in the Cup's Turf Stakes. Sam Rubin made John Henry a supplemental entry at a cost of \$135,000, which was the first payment of two that would have totaled \$400,000 had the horse started. The \$135,000 is non-refundable.

### FIFA Clears Italians in Bribery Claim

ROME (UPI) — Jolito Havelange, president of the International Soccer Federation, or FIFA, announced Saturday that the organization has found no basis for accusations of bribery in the 1982 World Cup match between Italy and Cameroon. He said the case has been closed.

Havelange made the announcement at a news conference at the end of his visit to Rome to discuss preparations for the 1990 World Cup soccer tournament, to be staged in Italy. He read a statement explaining the investigation the international federation made into the bribery allegations at the request of the Italian soccer federation.

He said both the Italian and Cameroon federations had firmly denied the allegations contained in an article published at the end of September by the Italian weekly magazine Epoca. The article charged that some Cameroon players had been bribed to secure a 1-1 tie for Italy that enabled the eventual World Cup winner to qualify for the second round in Spain.

### Lucas Signs Lucrative Pact With Suns

PHOENIX, Arizona (AP) — Forward Maurice Lucas, a free agent, signed a one-year contract with the Phoenix Suns of the National Basketball Association early Sunday amid speculation that the Suns may try to trade him.

Details of the agreement were not released, but club sources said it was for between \$700,000 and \$750,000. Lucas, 32, made \$503,000 last season, while leading the Suns in rebounding with a 9.7 average and scored 15.9 points per game. Lucas said he had been seeking a three-year contract, and that he had not received such an offer from any other NBA club.

There were reports Saturday that the Los Angeles Lakers and the Philadelphia 76ers were interested in acquiring the 6-foot-10, 240-pound Lucas. The Suns' general manager, Jerry Colangelo, would not comment.

### For the Record

A U.S. golf team swamped Japan, 30-18, in match play, and Tom Watson won individual honors by one stroke Sunday with a 7-under-par 135 for 36 holes in the \$500,000 Uchida Yoko Cup in Inzai, Japan. Watson held off teammate Mark O'Meara and Japan's Naomichi Ozaki.

Riccardo Patrese and Alessandro Nannini of Italy, driving a Lancia, won the Kyalami, South Africa, 1,000-kilometer (620-mile) World Auto Endurance Championship. Bob Wolcott of France and Paolo Barilla of Italy finished second, less than a car length back.

## Flutie Sets Record for Career Yardage But Boston College Loses to Penn State

Compiled by Our Staff From Dispatches

UNIVERSITY PARK, Pennsylvania — Doug Flutie on Saturday became the first player in college football history to gain more than 10,000 yards in total offense over a career, but in his last game, Boston College, lost in the process to Penn State, 37-30.

Although he gained 421 yards Saturday, for 10,003 yards in four

### COLLEGE FOOTBALL

seasons as the Boston College quarterback, the little scrapper turned the ball over four times.

Penn State (6-3) was led by a defense that pressured Flutie all game long and by the running of D.J. Dozier, who rushed for 143 yards and one touchdown, and Steve Smith, who gained 126 yards and scored two touchdowns.

Representatives of the Sugar, Orange, Cotton, Fiesta and Sun bowls were present at Beaver Stadium to see Flutie in action, as were 85,690 fans. One of the bowl representatives, who asked not to be quoted by name, indicated that the bowl may have taken Boston College (16-2) out of one of the major bowls and given the Fiesta Bowl its best opportunity to invite the Eagles for its New Year's Day game.

Flutie completed 29 of 53 attempts, but lost two fumbles on sacks and suffered two intercep-

tions, one as the Eagles were driving toward a late score. Boston College lost another fumble on the Penn State 1.

Iowa 10, Wisconsin 10

In Iowa City, Iowa, quarterback Chuck Long scored from the 1-yard line with 11:54 left as Iowa kept its Big 10 lead over Ohio State by tying Wisconsin, 10-10. Long threw three first-half interceptions, but completed 6 of 9 passes in the second half to help salvage the tie.

Ohio State 50, Indiana 7

In Columbus, Ohio, Ohio State raced to a 33-0 halftime lead and went on to overwhelm Indiana, 50-7, and stay one-half game behind Iowa in the Big 10. The nation's leading rusher, Keith Byars of the Buckeyes (7-2), was used sparingly because of an ankle sprain, and gained only 64 yards, more than 100 yards less than his per-game average.

Washington 44, California 14

In Seattle, Jacque Robinson

At Last, Marietta Triumphs

United Press International

WOOSTER, Ohio — Marietta College snapped the longest winless streak in college football at 41 games Saturday when quarterback Ed Pekar's 1-yard touchdown run with 65 seconds gave the Pioneers a 15-12 victory over Wooster.

rushed for 152 yards and scored three first-half touchdowns to lead Washington to a 44-14 rout over California. The victory gave Washington a 9-0 record for the first time and set up a Pac-10 showdown with Southern California next Saturday in Los Angeles. A victory over the Trojans would send the Huskies to the Rose Bowl for the second time in four years.

Texas 13, Texas Tech 10

In Lubbock, Texas, Jeff Ward kicked a 35-yard field goal with three seconds left Saturday as Texas beat Texas Tech, 13-10.

Bright Young 42, UTEP 9

In Provo, Utah, quarterback Robbie Bosco passed for 237 yards and four touchdowns Saturday as Brigham Young beat Texas-El Paso, 42-9, and extended the longest major-college winning streak to 20 games. The victory by the Cougars (8-0) also clinched their ninth straight Western Athletic Conference championship and an automatic berth in the Holiday Bowl. UTEP's record dropped to 1-7.

Nebraska 44, Iowa 50

In Ames, Iowa, Doug DuBois ignited a 28-point fourth-quarter blitz with an 80-yard touchdown run as Nebraska whipped Iowa 44-0. The Cornhuskers (8-1) held the Cyclones (2-6-1) to five first downs and 53 total yards.

(NYT, UPI, AP)

## Australia Opens Rugby Tour by Humiliating England, 19-3

By Bob Donahue

International Herald Tribune

LONDON — Australia launched a cocky challenge to the four British Isles rugby powers Saturday by humiliating England, 19-3. Three sparkling Australian tries in the second half left England looking second-rate.

Now come Ireland next Saturday, Wales on Nov. 24 and Scotland on Dec. 8. Captain Andrew Slack's squad hopes to become the first Wallabies in six full tours starting in 1947-48 to win all four test matches.

Everybody agreed Saturday night that it was going to be an uphill effort.

Slack, a 28-year-old schoolteacher, was quiet in victory, leaving it to English commentators to pronounce on the home crowd. (An "immature" team, English coach Dick Greenwood daintily said.) Slack admitted that Australia needs to keep improving.

Injuries can spoil a tour, especially when a squad lacks depth at key positions. Already the price of victory at sunny Twickenham was being Brendan Moon, eliminated with a broken right arm 26 minutes into the second half. Still only 26, Moon has played 30 times, a record for an Australian wing.

Australia fielded youth with experience, while England had youth without it. Ten of England's 15 starters have begun their international careers this year, including five who appeared Saturday for the first time.

They started confidently enough, with punts by new flyhalf Stuart Barnes keeping play at Australia's end. Loose forwards John Hall, Gary Ross and Chris Butler quickly helped England dominate the ruck — the only compartment of play in which Australia was beaten. England defended well against initially labored Australian attacks.

Three times Barnes was able to kick for points in this early spell. After missing a penalty and a drop, he succeeded with a solitary penalty attempt in the second half, that kick was the end of England's threat.

His lead lasted three minutes. When wing Rory Underwood fumbled a high punt from Australian flyhalf Mark Ella and Hall dove into the ruck from the wrong side, center Mike Lynagh kicked the equalizing penalty.

Overall the 14-12 penalty count favored England, but Lynagh could take six penalty

kicks to Barnes's three. The Australian connected only once, and he and Ella failed with three drops. If both sides had kicked all their points, the score would have been 45-12.

The 3-3 score at halftime was deceptive. Thanks to improving ball control after losing tape by 6-foot-8 (2.03-meter) lock Steve Cutler, Australia was building what would end up as a 21-8 advantage at the lineouts. England was also suffering in the scrums.

Slack took off haranguing his backs to keep their cool. "We just waited and waited and took our chances when they came." As Greenwood saw it, early in the second half "the game drifted away from us."

Within five minutes a long pass from fullback Roger Gould landed Moon on a raid to the left corner, and from the scrum Ella faked out Butler and darted between the posts. Lynagh's conversion made it 9-3.

England hung on gamely for most of the half, but a 10-point Australian splurge padded the margin near the end when Slack's backs finally let loose with a festival show of fancy passing and shrewd running. Lynagh got a try on the right that he failed to convert. Then a long shovel pass from Gould, that

Ella snatched off his shoelaces, led to a try on the left for flanker Simon Poidevin.

"Come on, England, what the hell are you doing?" bellowed a voice from the crowd. "Their best," muttered an Englishman in the press box in reply. England's front-five forwards, in particular, had been outclassed, which meant a miserable time for their captain and rookie scrumhalf, Nigel Melville.



## Debatable Propositions

## Faulkner's Film Brush With de Gaulle

After "The de Gaulle Story," apparently the only full-length movie script that Faulkner ever wrote all by himself, he turned his hand to other film scripts, including war movies.

Indeed, from his very first novel, "Soldiers' Pay," Faulkner, the Mississippi native who trained to be a pilot in the Royal Canadian Air Force in World War I, had shown an interest in military hardware, airplanes, pilots and war — an interest that the editors of this volume say remained with him long after he composed his cinematic tribute to the Free French.

## Venice's Gondola Crisis

"People have been talking about building plastic gondolas," says Roberto Suestess, secretary of the Association for the Protection of the Gondola and the Gondolier. "It just wouldn't be a gondola. It would be something else."

Suestess also cited technical factors, saying plastic would not provide the strength and stability needed for gondolas. But he conceded: "There's no doubt it would be much easier to make them out of plastic."

Suestess said gondola making has reached crisis proportions, with a production of only about 20 a year and a demand for about 12,000 boats in service also are in need of repair.

long, and can hold about five passengers plus the gondolier at the single oar.

Corvini noted that many of today's gondolas have been seriously damaged by passing motorboats and small barges, and by the waves that smash the boats into the canal walls. "Some gondoliers already have put plastic resin on the sides and bottoms of the boats for protection," he said. "But I don't think any of the gondoliers would actually go for the idea of gondolas constructed of plastic."

Retired gondolier Umberto Valesin said a West German craftsman already has made several plastic gondolas, but they aren't in use in Venice. "Plastic!" he said. "No,

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